

Agenda Item No 8(a)

DERBYSHIRE COUNTY COUNCIL

COUNCIL

6 December 2017

Report of the Director of Finance & ICT

**STATEMENT OF ACCOUNTS 2016-17 AND ANNUAL AUDIT LETTER
2016-17**

1 Purpose of the Report

This report presents the external auditor's 'External Audit Report 2016-17' and the approved Statement of Accounts 2016-17 and Annual Audit Letter for 2016-17.

2 Information and Analysis

Statement of Accounts 2016-17

The Accounts and Audit Regulations 2015 require the Director of Finance & ICT to certify the Council's pre-audit Statement of Accounts for the year ended 31 March 2017 by 30 June 2017 and the Audit Committee to approve the post-audit version before 30 September 2017.

The core financial statements in the Statement of Accounts are:

- Comprehensive Income and Expenditure Statement (CIES)
- Expenditure and Funding Analysis (EFA)
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Pension Fund Accounts
- Annual Governance Statement

The main changes from the Statement of Accounts 2015-16 have been the revised format of the CIES and the introduction of the EFA. The revised CIES provides local authorities with the opportunity to present the cost of services on the basis of their management accounts reporting and the EFA is a comparison of resources applied and charged against Council Tax.

Under the Local Audit and Accountability Act 2014 (Sections 25 to 28) and the Accounts and Audit Regulations 2015 (Regulations 10, 14 and 15), the Council's Statement of Accounts for the year ended 31 March 2017 and

certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) were made available for public inspection on working days from 5 June 2017 to 14 July 2017. No queries were raised.

The Council submitted the 2016-17 pre-audit Statement of Accounts to the external auditor, KPMG, on 31 May 2017, which is one month ahead of the statutory deadline of 30 June 2017. From 2017-18 onwards, the Accounts and Audit Regulations 2015 require the Council to submit its Statement of Accounts to external audit by 31 May following the financial year-end. The statutory deadline for Statement of Accounts approval will also be brought forward from 30 September to 31 July. The achievement of completing the accounts early again represents a significant step towards the Council ensuring that it will meet its statutory obligations in future years. The external auditor has assessed that the Council is in a strong position to meet the 31 May 2018 deadline in 2017-18.

The Statement of Accounts were approved and the external auditor presented its 'External Audit Report 2016-17' and audit opinion at the Audit Committee meeting on 27 September 2017. The Pension Fund Accounts were presented to the Pensions and Investment Committee on 1 November 2017.

The external auditor again acknowledged the well-established and strong accounts production process, the high standard of accounts, the quality of supporting working papers and the responsiveness of the finance teams during the audit, with officers dealing promptly and helpfully with audit queries.

Audit adjustments were required to the Statement of Accounts in respect of Property, Plant and Equipment values in 2016-17. Audit work was completed to reach a conclusion that there were no unadjusted material errors. The external auditor recommended that, in future years, sufficient assurance on asset valuations should be obtained in advance of the final accounts audit, to ensure that the tighter statutory deadline is met. In response to the valuation process control recommendations made, the following actions are being taken:

- The capacity of in-house registered valuers and the data support team has been reviewed and resources temporarily increased. Funding for future years is being sought to secure permanent appointments and the use of a national Estate Management Framework to supply fixed asset valuations is being considered.
- Terms of Reference between Corporate Property and Corporate Finance have been revised to include agreed key valuation milestones and deadlines.
- Changes made to sites requiring notification that a valuation is required have been clarified. The number of Corporate Property Annual Premises Reviews have also been increased to identify other changes where no notification has been received.

- Where any changes are made to existing valuations, all similar valuations will be revisited to review financial implications. A revised internal quality assurance process of 'sign-off' is being introduced.
- The Council's Internal Audit function is working with Corporate Property to monitor controls.

The external auditor also revisited recommendations from 2015-16:

- Supporting Information for Journals - Sample audit testing of journals showed an improvement in this area, however the auditors found one journal where supporting information was not attached to the journal in the financial system. Further testing confirmed no underlying issue but regular communications to employees reminding them of the importance of attaching full documentation to journals will continue.
- Implementation of Pensions Administration System – Further progress has been made but further work is required to fully embed the operation of the Pensions Administration System. The system will continue to be reviewed and Audit Committee will be provided with an update during the financial year.
- Management Review of Payroll Reconciliation - The reconciliation between the General Ledger and the Payroll System is reviewed by management but review of this control is not formally documented. Management review of the reconciliation will be documented going forward.

Audit Committee will be provided with an update in respect of these control recommendations before the end of the financial year.

The 'External Audit Report 2016-17' is attached at Appendix One. Copies of the approved Statement of Accounts are available on the Council's website https://www.derbyshire.gov.uk/council/council_tax/statement_of_accounts/default.asp

Annual Audit Letter

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 2016-17. 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 Two. The details contained within the letter represent a positive outcome for the Council and have been reported to the Pensions and Investment 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, property, crime and disorder and social value considerations.

4 Background Papers

Copies of the approved Statement of Accounts will be made available at the meeting.

5 Officer's Recommendation

That Council notes the report, the external auditor's 'External Audit Report 2016-17', the approved Statement of Accounts 2016-17 and the Annual Audit Letter 2016-17.

PETER HANDFORD

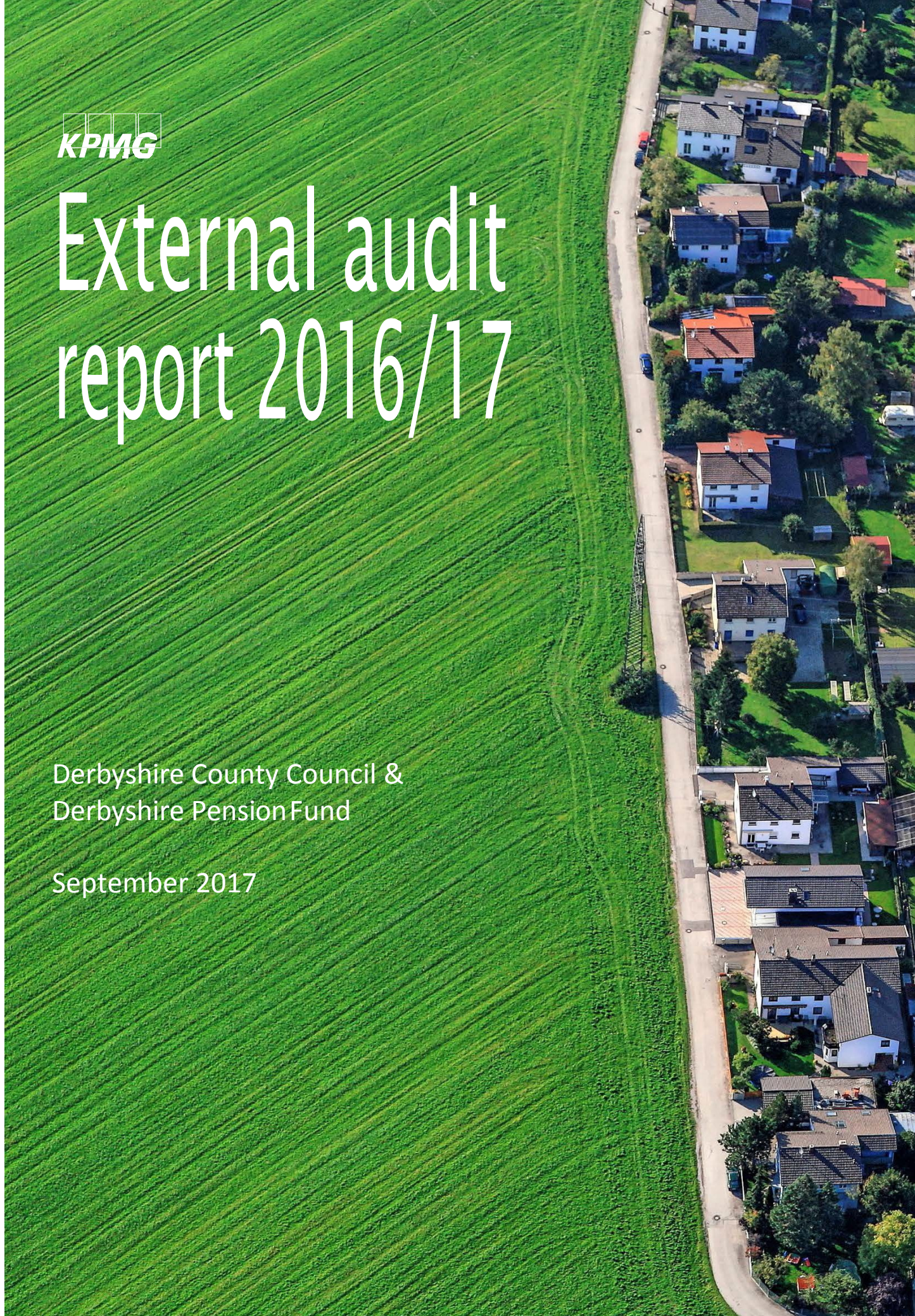
Director of Finance & ICT



External audit report 2016/17

Derbyshire County Council &
Derbyshire Pension Fund

September 2017



Summary for Audit Committee

Financial statements

This document summarises the key findings in relation to our 2016 -17 external audit at Derbyshire County Council ('the Authority') and Derbyshire Pension Fund ('the Pension Fund').

This report focusses on our on-site work which was completed in July and August 2017 on the Authority and the Pension Fund's significant risk areas, as well as other areas of your financial statements. Our findings are summarised in Section One.

There are currently the following outstanding matters:

- Final audit Director review;
- Addressing any remaining audit queries and any matters arising from our completion procedures;
- General audit file completion and review procedures;
- Post balance sheet events review up to the date of signing the audit opinion; and
- Final review of the working papers and amended accounts.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September.

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements by 30 September 2017.

Based on our work, we have raised 4 recommendations. Details on our recommendations can be found in Appendix 1. The work in regard to re-valuation of PPE has led to significant extra work by both the audit team and officers of the authority.

We are now in the completion stage of the audit and anticipate issuing our completion certificate by 30 September 2017.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions, worked with partners and third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money conclusion.

See Section Two for further details.

Whole of Government Accounts

This work is in progress and we expect to issue our report at the same time as we issue our audit opinion on the Authority's accounts.

Public Interest Report

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have nothing to report.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Audit Committee to note this report.

The key contacts in relation to our audit are:

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This report is addressed to Derbyshire County Council (the Authority) and Derbyshire Pension Fund (the Pension Fund) 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 (on 02076948981, or by email to 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 0207072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London SW1P 3H.

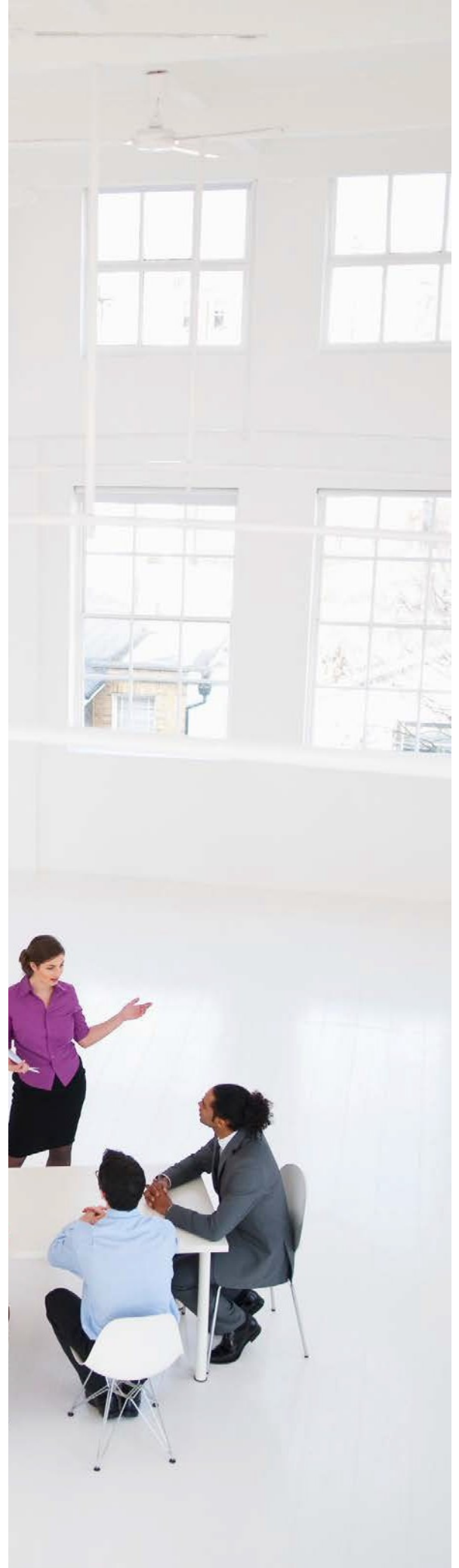
Section one

Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements. We also anticipate issuing an unqualified audit opinion on the Pension Fund's 2016/17 financial statements.

We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.



Significant audit risks

Our External Audit Plan 2016/17 sets out our assessment of the Authority and the Pension Fund's significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
Significant changes in the pension liability due to LGPS Triennial Valuation (Authority and Pension Fund)	<p>Why is this a risk?</p> <p>During the year, the Derbyshire County Council Pension Fund (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pension assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Derbyshire County Council, who administer the Pension Fund.</p> <p>Our work to address this risk</p> <p>As part of our audit of the Pension Fund, we undertook work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. We engaged specialists from our KPMG pensions team to assess the actuary's approach and the reasonableness of the assumptions used in determining the pensions estimates. We were also required, under the protocols put in place by the PSAA for this purpose, to respond to specific requests from the auditors of other admitted bodies.</p> <p>There are no significant matters from our work which we need to draw to your attention.</p>

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a **significant** risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

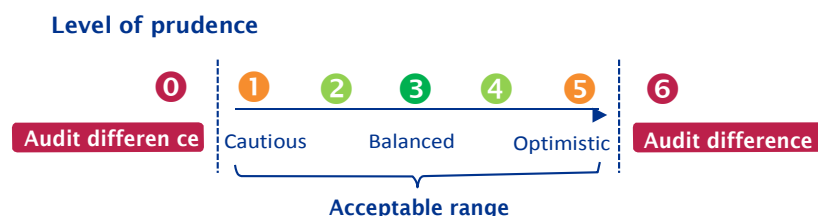
Other areas of audit focus

We have identified areas which are risks, but are less likely to give rise to a material error. Nonetheless we require an audit understanding of these risks and have set out our approach below.

Other areas of audit focus	Our work to address the areas
1. Subsidiary Company	<p>Background</p> <p>The Authority is moving into new models of delivering services and has established the Derbyshire Developments Limited, as a subsidiary company.</p> <p>What we have done</p> <p>We have reviewed the arrangements in place in regard to the establishment of the subsidiary company and the accounting treatment for the new entity. We have no issues to report as a result of our work in this area.</p>
2. Compliance to the Code's disclosure requirements – Authority and Pension Fund	<p>Background</p> <p>CIPFA has introduced changes to the 2016 -17 Local Government Accounting Code (Code):</p> <ul style="list-style-type: none">— Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and— Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. <p>The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.</p> <p>What we have done</p> <p>For the restatement, we have obtained an understanding of the methodology used to prepare the revised statements. We have also ensured compliance with new disclosure requirements and found no issues to note.</p>

Judgements

We have considered the level of prudence within key judgements in your 2016-17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016-17	2015 -16	Commentary
Property, Plant and Equipment (PPE) valuations (Authority)	Audit Difference noted	3	<p>Valuations are consistent with information provided by the Authority's external valuer. We have reviewed the arrangements and discussed the approach with managers. The Authority has not made any significant changes to its approach to asset lives or its valuation arrangements.</p> <p>As reported elsewhere in this report we identified significant issues in relation to the valuations shown in the financial statements and material amendments have been made as a result of our work. The Authority's valuer has been able to provide us with sufficient evidence and explanation to help us decide that the estimate was not materially misstated.</p>
Pensions liability (Authority)	3	3	There have been no significant changes in the approaches to determining the estimate. The Authority has again relied on an independent expert actuarial valuation for its estimates. We used our own actuarial expert in the course of our work and did not identify any concerns regarding the Authority's approach or the assumptions used. The reported balance, together with assumptions and disclosures for inflation, discount rate, salary growth, life expectancy etc. are consistent with the report from the external actuary.
Provisions (Authority)	3	3	We have reviewed the Authority's approach to estimating its provisions and not identified any material misstatement or further issues of concern for the Authority's attention.
Investments (Authority and Pension Fund)	3	3	We have reviewed arrangements for determining the accurate values for the Authority and Fund's investments and financial instrument disclosures. We did not identify any concerns regarding the valuations recorded.
Disclosure of Retirement Benefit Plans (Pension Fund)	3	3	IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed (the liability is not included within the Net Assets Statement). There have been no significant changes in the approaches to determining the estimate. The Authority has again relied on an independent expert actuarial valuation for its estimates. We did not identify any concerns regarding the Authority's approach or the assumptions used.

Proposed opinion and audit differences – Authority Accounts

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 27 September 2017.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 3 for more information on materiality) level for this year's audit was set at £16 million. Audit differences below £0.8 million are not considered significant.

We outline the differences found as a result of our work on PPE valuations on page 12 of this report. The differences to the 2016/17 balances have all been amended for. Those impacting on the 2015/16 balance have not been amended on the grounds of materiality. We request that this amendment is made and have asked for specific representations in the letter of representation elsewhere on the agenda of the Audit Committee.

We did not identify any other material misstatements. Aside from this issue we identified a small number of presentational issues that have been adjusted by management.

Annual governance statement

We have reviewed the Authority's final 2016 -17 Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's final 2016 -17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Whole of Government Accounts

This work is in progress and we anticipate issuing our audit report at the same time as we give the opinion on the Authority's accounts.

Proposed opinion and audit differences – Pension Fund Accounts

We anticipate issuing an unqualified audit opinion on the Fund's 2016/17 financial statements following approval of the financial statements by the Audit Committee on 27 September 2017. We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

Pension fund audit

Our audit of the Fund also did not identify any material misstatements. There are no other audit differences that we need to report to you.

We identified a small number of presentational corrections or adjustments required to ensure that the accounts are compliant with the Code. We understand that management will be addressing these where significant.

Annual report-

We have reviewed the draft Pension Fund Annual Report and confirmed that:

- It complies with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 ; and
- The financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

Section one: financial statements

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.



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Accounting practices and financial reporting

We consider the Authority's accounting practices to be appropriate.

In our 2015/16 ISA260 report we reported the strong process in place at the Authority for accounts preparation and this has continued for this year.

The Accounts and Audit Regulations 2015 introduces a statutory requirement to produce a draft set of financial statements much earlier for the year 2017-18. It also shortens the time available for the audit. The finance team is aware of the earlier 31 May 2018 deadline for 2017-18.

The improvements made in the current year means the Authority is in a strong position to meet the new 2017-18 deadline but it needs to continue to ensure its arrangements are effective – especially in regard to the valuation issues noted elsewhere in this report.

Completeness of draft accounts

We received a complete set of draft accounts on 31 May 2017, which is a month ahead of the statutory deadline and would meet the more challenging deadline set for next year.

Quality of supporting working papers

Earlier in the year we issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in which outlines our documentation request. This helps the Authority and the Fund to provide audit evidence in line with our expectations.

All of the required working papers were available by the agreed date and met the expected quality standards.

Response to audit queries

The finance team responded promptly during the audit to our requests for additional information or explanation.

Pension Fund audit

The audit of the Fund was completed alongside the Authority's audit. There are no specific matters to bring to your attention relating to this. The quality of the working papers was good and officers were helpful and responsive during the audit.

Valuation of PPE

We undertook testing in this area and found a series of errors relating to the process followed for the revaluation of PPE both for this year and the prior year.

The following issues were noted during this work:

- A number of errors were noted in the working papers submitted to the valuer in relation to assets within the Children's Services department. This led to assets being understated by £3.2million (£7.3 million in prior year).
- Maintenance costs were not included as part of the valuation considerations for all PFI assets (they are required for all assets older than 5 years). This issue was also relevant for some non-PFI assets. This led to assets being overstated by £11million (£9.6million in the prior year).
- Examples were noted of AMP1 forms not being sent to the finance department and the valuation team. These forms indicate a significant event in relation to an asset (e.g. a major refurbishment) which may lead to a material change in the asset value. This led to assets being understated by £5.3 million (overstated by £0.6 million in the prior year).
- There was an error with the build cost used for some valuations in the prior year. This had an impact of understating the prior year PPE balance by £24.3 million.
- An inconsistent use of gross and internal floor areas in the valuation methodology – this is not an error as such but is not consistent. The Council have agreed to apply a consistent methodology in future years.
- Expenditure to de-contaminate land was incorrectly included in the valuation for a specific site - this led to assets being overstated by £4.7 million (£4.2 million in the prior year).
- Two assets were noted as being included on the balance sheet due to being finance leases when they should be categorised as operating leases. This has the impact of overstating the asset balance by £9.7m (£9.8m in the prior year).
- Human error in data input was also noted but this did not lead to a significant error in addition to those highlighted above.

Overall these issues have led to errors of assets being overstated by £17m in the financial statements (£7.4m in the prior year). The current year figures have been amended for, the prior year not on the grounds of materiality. The figures noted here are rounded to aid clarity of reporting.

We have reviewed the work of internal audit who have reviewed all of the sub-populations of assets potentially impacted by each type of error and re-performed an element of it. Based on this work we are content that the risk of an undetected material error as a result of these issues is acceptably low.

We have raised a number of recommendations in relation to this area in Appendix 1 of this report.

KPMG Specialists

We have engaged specialist KPMG staff to support our audit in response to matters identified in the following areas:

- Pensions Estimates- We engaged specialists from our KPMG pensions team to assess your actuary's approach and the reasonableness of the assumptions used in determining your pensions estimates.
- IT Controls – our IT specialists undertook testing of the IT General Controls as part of our audit approach.

There are no matters arising from their work that we need to bring to your attention.

Controls over key financial systems

We have tested key controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Aside from the issues arising from the work completed in regard to the valuation of PPE we have noted one improvement point in regard to Payroll Reconciliations (see Appendix 1 for more details).

IT General Controls

We undertook testing of IT General Controls as a precursor for future reliance upon IT systems as part of our audit approach. We carried out a range of procedures to assess controls around the authority's finance system in respect of access to programs and data and program change control.

We have no matters to report to you as a result of our work in this area.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016-17 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Derbyshire County Council and Derbyshire Pension Fund for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Derbyshire County Council and Derbyshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to management for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and

- Matters specifically required by other auditing Standards to be communicated to those charged with Governance (eg significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances).

There are no other matters which we wish to draw to your attention in addition to those highlighted elsewhere in this report.

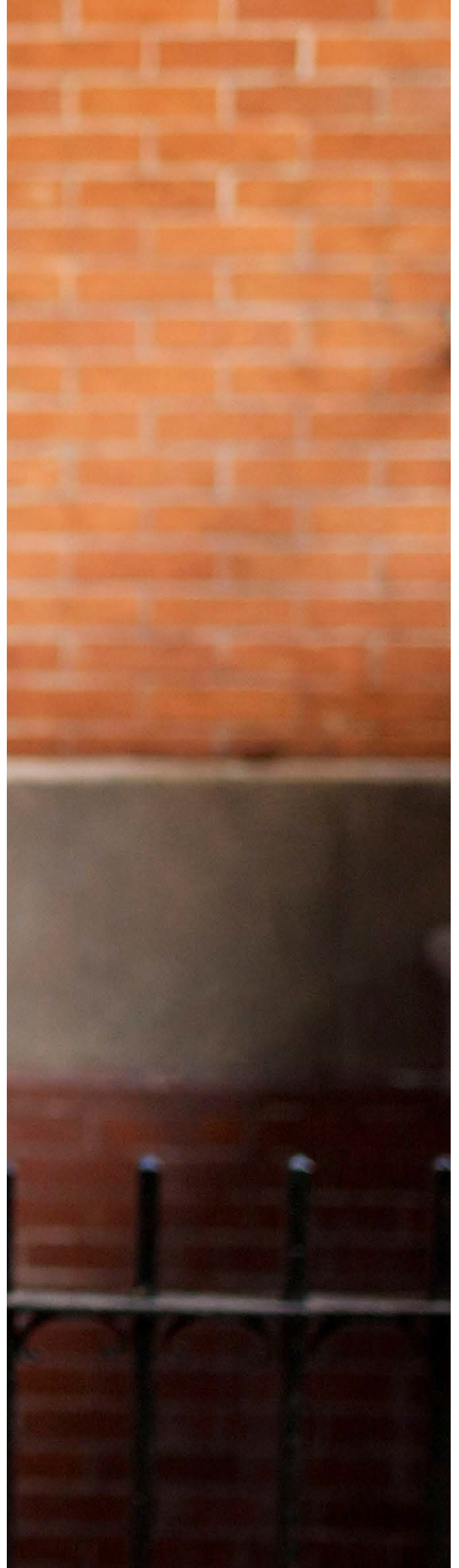


Section two

Value for money

Our 2016-17VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions, worked with partners and third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



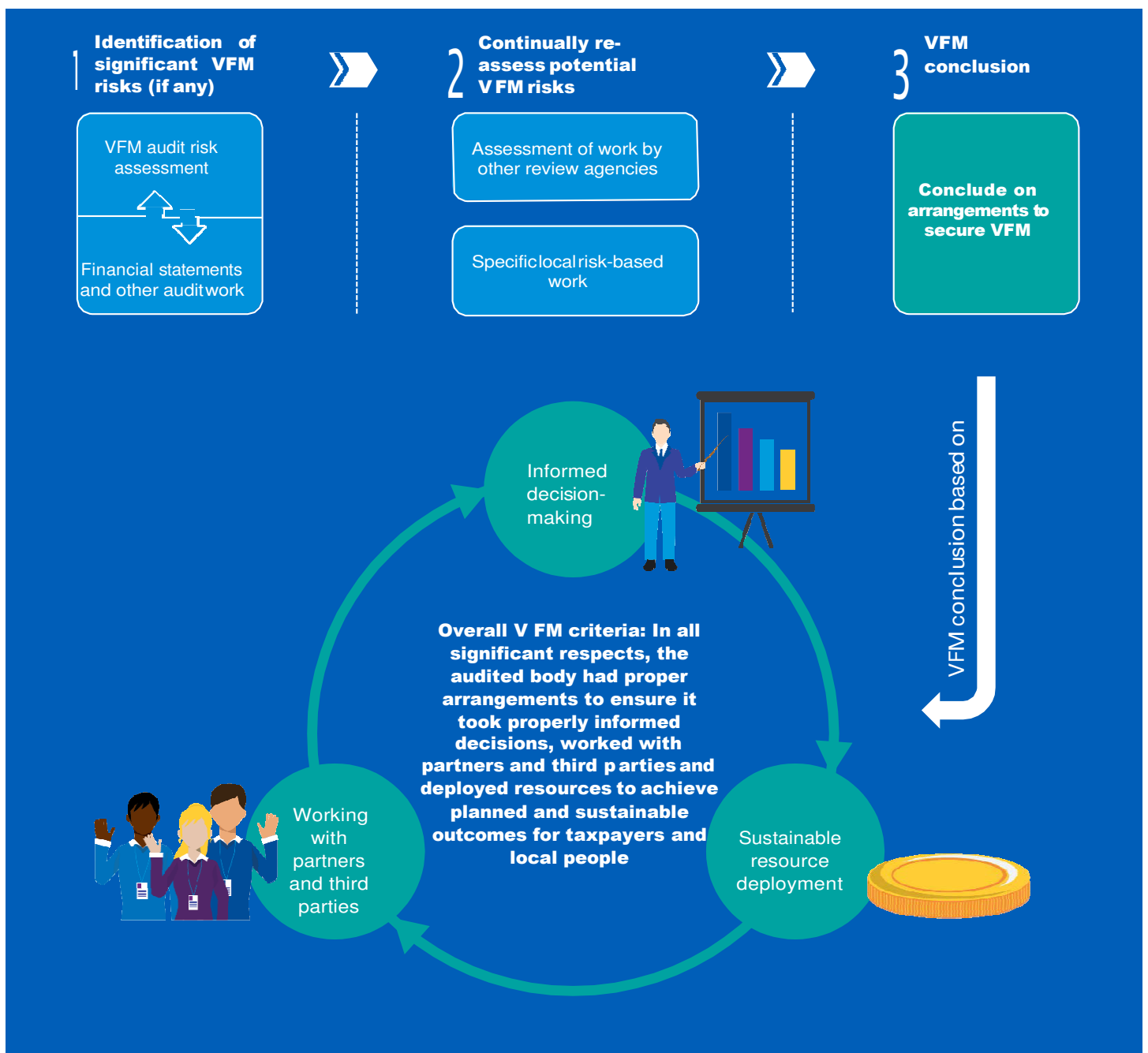
VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

This is supported by the Code of Audit Practice, published by the NAO in April 2015- which requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and third parties and deployed resources to achieve planned and sustainable outcomes for taxpayer and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



The table below summarises our assessment of the significant VFM risk and area of focus identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary			
VFM risk	In formed decision-making	Sustain able resource deployment	Working with partners and third parties
Significant VFM Risk			
Delivery of savings plans	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016 /17, the Authority has made proper arrangements to ensure it took properly -informed decisions, worked with partners and third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

Significant VFM risks

We identified one significant VFM risk and one area of audit focus, as communicated to you in our *2016/17 External Audit Plan*. In both cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

VFM risk areas	Work performed
Area of focus	Why is this a risk?
Financial standing and medium term financial planning	<p>The Authority's budgets over recent years have delivered significant planned savings, but further financial challenges lie ahead. The Authority has a challenging savings plan involving savings of £70m over 2016/17 (£36m) and 2017/18 (£34m). The Authority forecasts predict that over the forthcoming years up to 2021/22, additional savings of £46m will also need to be found as the Authority faces further expenditure pressures and a continued reduction in resources. We understand the Authority has identified saving proposals for 2017/18, but may need to revisit the phasing of these savings and may also require further savings in future years to meet the potential impact of reduced resources on the financial standing of the Authority. Therefore we consider this as a significant risk.</p> <p>Summary of our work</p> <p>2017-18 budget</p> <p>In February 2017, the Authority approved a balanced 2017-18 budget. The budget included the required S.151 Officer assurances relating to the robustness of the budget and the adequacy of the level of reserves, but acknowledged the risks around the delivery and timing of savings initiatives and the need to address the medium term budget shortfall from 2018-19 onwards. The budget reflects a mixed approach to addressing the cost pressures identified (£14m) and reduced level of central funding (£23.7m reduction in general government grants). The Authority approved:</p> <ul style="list-style-type: none">• a 3.99% increase in Council Tax, including 2% for the 'social care precept';• savings plans of £23.2m ; and• A £10.8 m transfer from General Reserves during the year as part of the medium term financial plan. <p>We have reviewed the budgeting process, looked at the assumptions included within the calculations and reviewed how savings plans have been identified. We have also looked at the information presented to members as part of this process and have confirmed that detailed supporting document is made available as part of this process. Overall we do not have concerns with the arrangements in place.</p> <p>Medium term financial planning</p> <p>The Authority has during 2017-18 been developing further its options for securing medium term financial sustainability. The overall financial planning framework reflects the Government's four year funding settlement with the Council. Under this multi year settlement the level of general government grants was expected to fall from £44m in 2017-18 to £13.5m in 2019 -20. Managers have also been confirming their assessment of the expected cost pressures due to demographic changes and other factors.</p> <p>We have met with each Executive lead for the significant functions of the Council during the early part of 2017-18 who evidenced the progress being made, with the proposals due to inform the autumn 2017 2018- 19 budget setting process. The emerging framework indicates a way forward for the Authority to balance 2018 -20 budgets which includes a combination of use of reserves and additional savings. The planned use of reserves is set to reduce to £2m per annum from 2018-19 onwards. The current medium term position was reported to members in February 2017 and highlighted an underlying need for £80m of savings required by the end of 2021-22.</p>

Appendices



Key issues and recommendations

Our audit work on the Authority's 2016-17 financial statements has identified a number of issues. We have listed these issues in this appendix together with our recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

High
priority

Issues that are fundamental and material to our system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium
priority

Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low
priority

Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

Priority	Total raised for 2016/17
High	1
Medium	-
Low	3
Total	4

Recommendations

Controls in place in regard to valuation process

High
Priority

As documented earlier in this report a large number of issues were noted as part of our work in the valuation of PPE held on the balance sheet. The initial trigger for this work was an audit request for information to explain all changes in asset values of over £2million.

This then highlighted that a large number of these changes were due to errors in the calculation basis in either 2015/16 or 2016/17. For each of these issues audit work has been completed to reach a conclusion that there is no unadjusted material error – however in future years management should obtain sufficient assurance as to the valuation of its asset base in advance of the final accounts audit.

Recommendation

Our recommendations in this area are set out in the table below, together with the management response to each point.

Recommendation	Management Response	Responsible Officer	Due date
Review the capacity of the in house valuers to ascertain whether the large asset base of the Council can be re-valued in line with the required standards within the reduced timescales required in future accounting periods	<p>We have reviewed the capacity of the in-house registered valuers and data support team and increased resources this year through the recruitment of agency workers, funded by a one-off budget underspend. Funding for future years is now being sought to secure permanent appointments and this activity has commenced, with a completion date for recruitment of Feb/March 2018.</p> <p>To further assist capacity, (and to provide further delivery options if recruitment proves challenging), and in accordance with the council's financial regulations, member approval to the use of a national Estate Management Framework to supply fixed asset valuations is currently being sought. Member approval supported by a business case is currently being finalised with a date for approval December 2017</p>	Sarah Morris	March 2018
Formalise the terms of reference of any future valuations to ensure the valuer is clear on timescales and reporting/audit requirements.	<p>The Terms of Reference for 2017/18 will be revisited to include dates when valuations must be complete by Corporate Property and issued to Corporate Finance. The dates are to be agreed by both teams. Dates to be included into this document by 3 0/09/2017.</p> <p>The terms of reference will also be reviewed to encompass any changes required from this year's reporting/auditing exercise and amended accordingly in conjunction with Corporate Finance. Changes required to reporting/auditing to be complete by 3 0/10/2017 subject to completion of the council's internal audit report.</p>	John Cooper/Sarah Morris	March 2018

Recommendation	Management Response	Responsible Officer	Due date
Remind the relevant officers of the requirements to issue an AMP1 form (to trigger a revaluation) when significant changes are made to an asset	<p>An awareness campaign is currently underway to ensure that relevant officers are aware of the need to complete AMP forms. A guidance note has been prepared listing activities that require notification and a contact name and number is included. This document has been shared with key officers representing each directorate within the council through PAIG (Property Accommodation Implementation Group), with the aim they will cascade it through their teams. It will be raised at PAIG on a cyclical basis.</p> <p>Further communications will be sent through DNet, the Schools Extranet and through the S4S team. (Schools services trading team) Whilst it is increasingly difficult to keep school's engaged with the requirement to notify us of changes they make through their own budgets, Corporate Property are increasing the number of Annual Premises Reviews (APRs) (landlords visits) to capture changes made to sites and inform the valuers where Corporate Property have not been informed via the AMP process.</p> <p>Where capital programs of work are agreed at strategic level these will be shared with the Property Data team to assist information capture. The AMP on-line forms have also been re-designed and made more user friendly and comprehensive for both user and data processor.</p>	Sarah Morris/Jo Hollick	March 2018
In future years review any individual asset valuation changes above £2m to check that similar errors have not been made	<p>Where any changes are made to existing valuations whether through error or due to other reasons, all similar valuations will be revisited to review financial implications.</p> <p>This will be part of our internal quality assurance process of 'sign-off' whereby all valuations and changes to valuations must be countersigned by a second registered valuer. This counter signatory process will include valuations delivered by external consultants.</p>	Sarah Morris, Judy Mullaney	March 2018
Consider whether future Internal Audit review of calculations are carried out on a rolling sample basis	Corporate Property will fully engage with the council's internal audit process and work in accordance with the frequency of audits that audit consider are required.	Carl Hardman	December 2017
Implement in full any recommendations made by Internal Audit as a result of their work	Corporate property await the report from internal audit and will implement their recommendations.	Dave Massingham	March 2018

Prior year recommendations

Low
priority

Supporting information for Journals

As reported in the previous two years our sample testing of journals found that fully documentation is not held on the financial system to fully explain the nature of the journal being processed (it is Council policy to attach such information).

Whilst our testing shows an improvement in this area we still found one item where supporting information was not attached. Further testing confirmed no underlying issue but documentation should be attached for all journals.

Recommendation

We recommend the Authority re-iterate to all officers responsible for preparing journals that sufficient documentation is attached to the system.

Management response

We will send out regular communications to employees reminding them of the importance of attaching full documentation to journals

Responsible officer – Paul Stone
Due Date – March 2018

Low
priority

Implementation of Pensions Administration System

Whilst further progress has been made further work is required to fully embed the operation of the Pensions Administration System.

Recommendation

We recommend the Authority continue to progress this matter during 2017-18 and report to the Audit Committee on this issue.

Management response

We will continue to review the system and provide Audit Committee with an update during the financial year

Responsible officer – Dawn Kinley
Due Date – March 2018

Low
priority

Management review of Payroll reconciliation

During our controls testing we noted that whilst a reconciliation is performed between the General Ledger and the payroll system a management review of this control is not formally documented and as such we cannot rely on this control.

Recommendation

We recommend that the Authority document the management review of this reconciliation.

Management Response

We will document the management review of the reconciliation.
Responsible officer - John Cooper
Due Date – March 2018

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Our audit did not identify any material misstatements in our audit of the Authority or Pension Fund accounts. There were a number of presentational matters and notes to the accounts which officers agreed to amend.

The amendments required as a result of the PPE valuation issue are discussed earlier in this report. For each amendment to the valuation of the PPE balance there have been corresponding amendments to reserves and the associated notes to the accounts.

We will check these expected amendments have been made to the final statement of accounts before giving our audit opinion.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £16 million which equates to around 1% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.8 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £36 million which is approximately 1% of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £1.2 million for 2016 /17

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firm have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in

our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Derbyshire County Council and Derbyshire Pension Fund for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Derbyshire County Council and Derbyshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work		
Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Teachers' Pensions Agency Return 2015/16	£3,500	<p>Self-interest: This engagement is entirely separate from the audit and there is a separate engagement letter in place.</p> <p>Self-review: The nature of this work is to issue the Accountant's Independent Assurance Report in accordance with the specific assurance instructions set out by the TPA. It does not impact on our opinion and we do not consider that the outcome of this work is a threat to our role as external auditors.</p> <p>Management threat: This work was undertaken in accordance with the Assurance Instruction provided by the TPA.</p> <p>Familiarity: This threat is limited given the scale, nature and timing of the work.</p> <p>Advocacy: We will not act as advocates for the Authority in any aspect of this work.</p> <p>Intimidation : Not applicable</p>
Total estimated fees	£154,028	
Total estimated fees as a percentage of the external audit fees (Authority and Pension Fund)	2%	

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit of the Authority is £125,356 plus VAT and for the Pension Fund is £28,672 plus VAT. However, we propose an additional fee due to work undertaken in relation to the CIES restatement and extra work in regard to PPE revaluations to cover the costs of the KPMG experts and specialists we have needed to engage in response to matters identified during the audit. This is still subject to final agreement with the Finance Director and PSAA approval.

PSAA fee table – Authority Accounts		
Component of audit	2016/17 (planned fee) £	2015/16 (actual fee) £
Accounts opinion and use of resources work		
PSAA scale fee	125,356	125,356
Additional work to conclude our opinion (note 1)	TBC	-
Total fee for the Authority set by the PSAA	125,356	125,356

PSAA fee table – Pension Fund Accounts		
Component of audit	2016/17 (planned fee) £	2015/16 (actual fee) £
Accounts opinion work		
PSAA scale fee	28,672	28,672
Additional work to conclude our opinion	-	-
Total fee for the Authority set by the PSAA	28,672	28,672

All fees are quoted exclusive of VAT.

Note 1: This is still subject to PSAA determination.



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Annual Audit Letter 2016/17

Derbyshire County Council & Pension Fund

October 2017

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This report is addressed to the Derbyshire County Council (the Authority) and Derbyshire County Council Pension Fund (the Fund) and has been prepared for the sole use of the Authority and the Fund. 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 Appointment's 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 Tony Crawley, 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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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Derbyshire County Council & Pension Fund in relation to the 2016/17 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) for 2016/17 on 28 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements in regard to informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

To inform the above conclusion 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 VFM risk as highlighted in our External Audit Plan 2016/17:

Delivery of Financial and Savings Plans - Along with the rest of Local Government, the Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan.

In February 2017, the Authority approved a balanced 2017-18 budget. The budget included the required S.15 1 Officer assurances relating to the robustness of the budget and the adequacy of the level of reserves, but acknowledged the risks around the delivery and timing of savings initiatives and the need to address the medium term budget shortfall from 2018-19 onwards.

We have reviewed the budgeting process, looked at the assumptions included within the calculations and reviewed how savings plans have been identified. We have also looked at the information presented to members as part of this process and have confirmed that detailed supporting document is made available as part of this process. Overall we do not have concerns with the arrangements in place.

The Authority has during 2017-18 been developing further its options for securing medium term financial sustainability. The overall financial planning framework reflects the Government's four year funding settlement with the Council. Under this multi-year settlement the level of general government grants was expected to fall from £44m in 2017-18 to £13.5m in 2019-20. Managers have also been confirming their assessment of the expected cost pressures due to demographic changes and other factors.

We have met with each Executive lead for the significant functions of the Council during the early part of 2017-18 who evidenced the progress being made, with the proposals due to inform the autumn 2017 2018-19 budget setting process. The emerging framework indicates a way forward for the Authority to balance 2018-20 budgets which includes a combination of use of reserves and additional savings. The planned use of reserves is set to reduce to £2m per annum from 2018-19 onwards. The current medium term position was reported to members in February 2017 and highlighted an underlying need for £80m of savings required by the end of 2021-22.

Section one

Summary (cont.)

This Annual Audit Letter summarises the outcome from our audit work at Derbyshire County Council & Pension Fund in relation to the 2016/17 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.



Audit opinion

We issued an unqualified opinion on the Authority and Fund's financial statements on 28 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority & the Fund and of its expenditure and income for the year.

Financial statements audit

During our audit work we found a series of errors relating to the process followed for the revaluation of PPE both for this year and the prior year. The full details of these issues are reported in our ISA 260 which was reported to the September Audit Committee. Overall these issues have led to errors of assets being overstated by £17m in the financial statements (£7.4m in the prior year). The current year figures have been amended for, the prior year not on the grounds of materiality.

Other than this issue we only identified a small number of presentational adjustments required to ensure that the accounts were compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which the Authority amended.

Overall the Authority has good processes in place for the production of the accounts and good quality working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales and are well placed to achieve the earlier closedown required next year.

Other information accompanying the financial statements

We review other information that accompanies the financial statements to consider its material consistency with the audited accounts. We reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding of the Authority.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We have no concerns to report as a result of this work and have reported as such to the National Audit Office.

High priority recommendations

We raised one high risk recommendation in our ISA 260 report in regard to the asset valuation issue referred to above. This was agreed by the Authority and initial steps have been taken to address the issues noted. There are no outstanding agreed high priority audit recommendations from prior years.

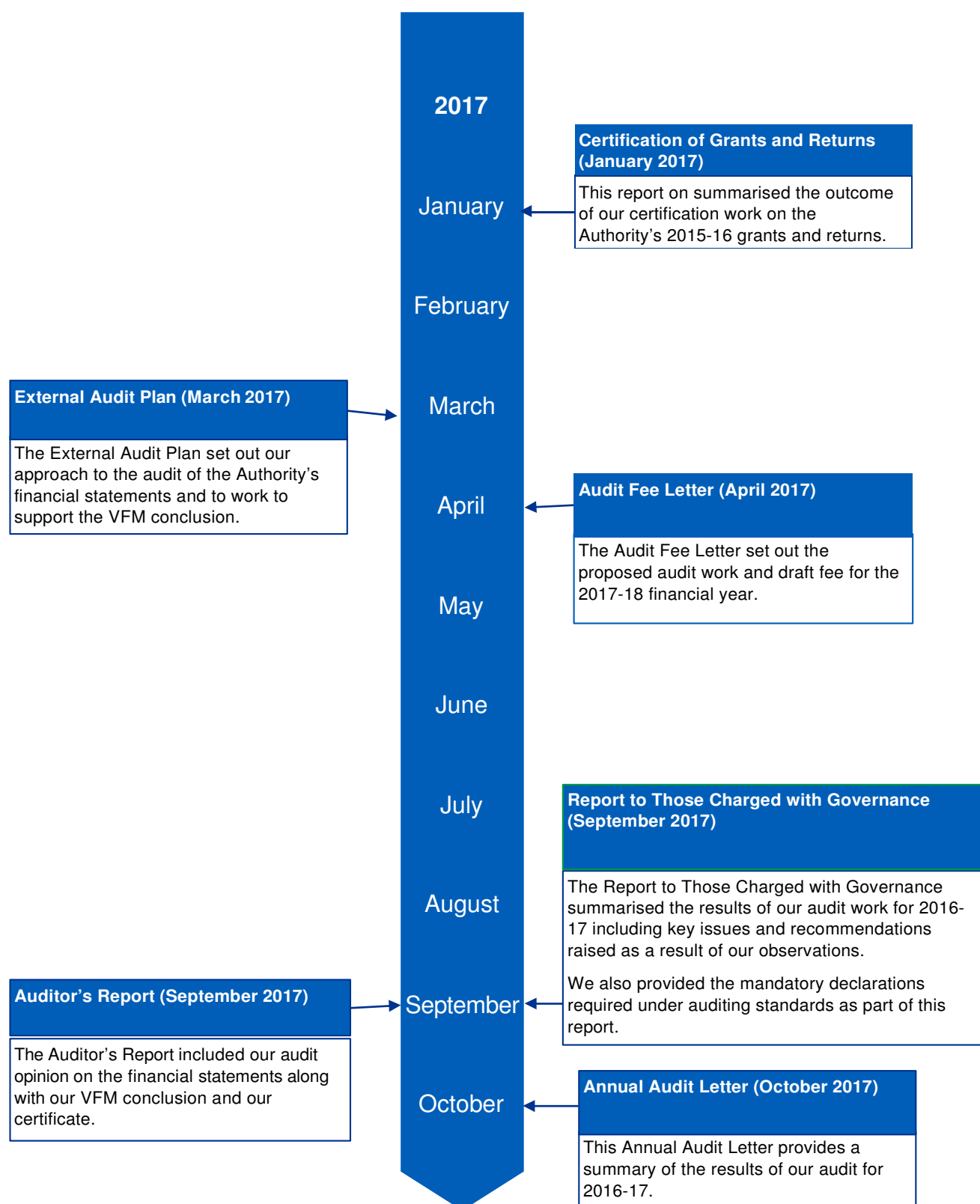
Certificate

We issued our certificate on 28 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Appendix 1

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.



Appendix 2

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit of Derbyshire County Council was £135,353 which is £9,997 higher than the scale fee set by PSAA of £125,356 due to the extra work required in regard to the valuation of assets.

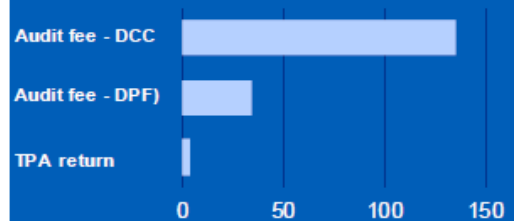
Our final fee for the 2016/17 audit of Derbyshire Pension Fund was £34,222, which is £5,550 higher than the scale fee set by PSAA of £28,672. This was due to £2,050 charged to perform extra work required by auditors of member bodies of the Fund and £3,500 for work in regard to the Triennial revaluation of the Fund.

The additional fees have been agreed with the Director of Finance but are subject to approval by the PSAA.

Other services

We reviewed the Teachers Pension claim for 2015/16 during this year. The fee for this work was £3,500.

External audit fees 2016/17
(£'000)



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