



**South Derbyshire District  
Council  
Audit results report**

Year ended 31 March 2017



**EY**

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Private and Confidential

20 September 2017

Dear Audit-sub Committee Members

We have substantially completed our audit of South Derbyshire District Council (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30 September 2017.

We are reporting a number of matters about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit-sub Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Stephen Clark  
Partner

For and on behalf of Ernst & Young LLP  
United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit Committee, other members of the Authority and management of South Derbyshire District Council** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Audit Committee, other members of the Authority and management of South Derbyshire District Council** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit Committee, other members of the Authority and management of South Derbyshire District Council** for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.





**01**

# Executive Summary



# Executive Summary

## Overview of the audit

### Scope and materiality

In our Audit Plan presented to the 15 February 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. We note the following changes:

We planned our procedures using a materiality of £920k. We reassessed this using the actual year-end figures which has decreased this amount to £900k. The threshold for reporting audit differences has decreased to £46k. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them;

- Remuneration disclosures including severance payments, exit packages and termination benefits. For these areas we have a set a materiality level to the extent any error may change the relevant reported bandings.
- Related party transactions. For any errors identified we would consider the concept of materiality of the transaction and balance as would be relevant to the related individual or organisation.
- Member allowances
- External audit fees

### Status of the audit

We have substantially completed our audit of South Derbyshire District Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- submission of the Whole of Government Accounts return to the National Audit Office



## Executive summary (continued)

### Audit differences

We identified a number of presentational matters which include casting errors and consistency of cross-references within the statements which have been adjusted by management. There is no impact of the reported financial performance of the Council. Further detail is included in respect of Audit Differences at Section 4.

We expect to issue the audit certificate at the same time as the audit opinion.



### Executive summary (continued)

#### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of South Derbyshire District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "areas of audit focus" in section 2 of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit-sub Committee.

#### Value for money (VFM)

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we identified two significant risks to our value for money conclusion:

- a significant risk in relation to control weaknesses in the procurement of services in the Housing and Environment Services directorate; and
- a significant risk in relation to securing financial resilience.

Our review has identified that there are weaknesses in the Council's arrangements to work with partners and other third parties, specifically in relation to contractual arrangements for procuring supplies and services effectively to support the delivery of strategic priorities. Further details are provided in the Section 5.

Based on the work completed to date, we intend to issue a qualified 'except for' VFM conclusion for the year ended 31 March 2017.



# Executive Summary

## Executive summary (continued)

### Other reporting issues

We have reviewed the information presented in the draft Annual Governance Statement (AGS) for consistency with our knowledge of the Authority. We have the following matters to report as a result of this work.

- The draft AGS did not adequately reflect the control weaknesses in the procurement of services in the Housing and Environment Services directorate and what course of action the Council has taken to implement actions to rectify the issues.
- The draft AGS did not accurately reflect the external audit considerations with respect to the value for money conclusion.

These findings have been communicated to management and we can confirm that the required amendments have been agreed.

We have still to complete our submission of the Whole of Government Accounts to the National Audit Office. We do not anticipate any matters to report to you.

We have no other matters to report.

### Control observations

We have adopted a fully substantive approach for the audit of the Financial Statements, so have not tested the design and operation of controls. However, our audit testing did reveal the following control observations, more details of which can be found in section 7.

### Independence

Please refer to Appendix B for our update on Independence.





**02**

**Areas of Audit Focus**



# Areas of Audit Focus

## Audit issues and approach: Significant risks

### Revenue Recognition

#### What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

We have not identified any instances of inappropriate judgements being applied.


We did not identify any transactions during our audit which appeared unusual or outside the normal course of business.

#### What is the risk?

##### **Risk of fraud in revenue recognition**

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

 Significant Risk

#### Audit procedures performed

- We reviewed and tested revenue and expenditure recognition policies.
- We reviewed and discussed with management any accounting estimates on revenue and expenditure for evidence of bias.
- We developed a strategy to test material revenue and expenditure streams; and
- Reviewed and tested revenue and expenditure cut-off at the period end date.

#### Assurance gained and issued arising

- We did not identify any issues from our review of the accounting policies or evidence of management bias in accounting for estimates.
- Our substantive testing of income and expenditure has not identified any matters.
- No issues have been identified from our cut-off transaction testing.



# Areas of Audit Focus

## Audit issues and approach: Significant risks (continued)

### Management override

#### What are our conclusions?


We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

#### What is the risk?

##### Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

 Significant Risk

#### What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant unusual transactions.
- We reviewed capital expenditure on property, plant and equipment (PPE) to ensure it meets the relevant accounting requirements to be capitalised.

#### Assurance gained and issued arising

- We tested a sample of manual journals using our data analytics interrogation tool to focus on the specific areas of risk. These included journals;
  - With no description
  - Reducing expenditure
  - Increasing revenue
  - Processed outside normal working hoursOur work did not identify any matters to report to you.
- We did not identify any significant unusual or unexpected transactions.
- Our review of specific significant estimates has not identified any matters to report.
- Our testing of PPE additions confirmed the expenditure had been capitalised in accordance with relevant account standards.
- We reviewed the accounting adjustments processed and disclosed in the Movement in Reserves Statement and supporting notes.



## Audit issues and approach: Other financial statement risks

### Asset valuation

#### What are our conclusions?

Based on completion of the specified audit procedures we have not identified any matters to report.

#### What is the risk?

##### Valuation of Property, Plant and expenditure

The Council's land and buildings, including the housing stock, totalled £113m at 31 March 2016, representing 85% of the total asset base.

The valuation of land and buildings is subject to a number of assumptions and judgements and even a small movement in these assumptions could have a material impact on the financial statements.

#### What did we do?

- We tested the revaluation cycle, including the instructions to, and completeness of, information provided to the Council's external valuer.
- We reviewed the classification of assets and assessed how the Council has determined that the correct valuation methodology has been applied by the expert.
- We considered the approach adopted by the external valuer and their findings.
- Considered the valuation implications of the planned move to the newly acquired depot.

#### Assurance gained and issued arising

- We tested a sample of revaluations and concluded that the correct accounting treatment had been made to the financial statements.
- We were satisfied that the valuer had received sufficient and relevant information to complete their work.
- We found that the valuation methodologies were appropriate for the class of asset valued.
- There were no issues arising from our review of the valuation to the new depot.
- We were satisfied that the revaluation gain of £13m was as a result of the change in the discount factor used for valuation of social housing increasing from 34% to 42%.



## Areas of Audit Focus

# Audit issues and approach: Other financial statement risks (continued)

### Valuation of the Pension Liability

#### What are our conclusions?

Based on completion of the specified audit procedures we have not identified any matters to report.

The pension fund liability as at 31 March 2017 disclosed in the financial statements is consistent with the actuarial report provided by the pension fund actuary. The IAS 19 adjustments within the financial statements are also in line with the report.

Our internal expert has confirmed that the assumptions used by the actuary are consistent with their expectations and within acceptable ranges. We have not made aware of any concerns relating to the administration of the pension fund.

#### What is the risk?

##### Valuation of local government pension scheme (LGPS) liability

Funding of the Council's participation in the LGPS will continue to have an impact on both cash flows and balance sheet liabilities.

The pension scheme liability is the most significant liability on the Council's balance sheet and is calculated through use of a number of actuarial assumptions.

A small movement in these assumptions could have a material impact on the balance sheet.

#### What did we do?

- We reviewed the output of the report from the Administering Council's actuary.
- We reviewed the assumptions used by the actuary to determine whether they are in our expected range.
- We tested the journal entries for the pension transactions to check that they have been appropriately processed in the financial statements.

#### Assurance gained and issued arising

- We obtained assurance from the pension fund auditor that proper arrangements are in place to support and administer the pension fund.
- We engaged an independent expert to review the assumptions and estimates used by the fund Actuary for reasonableness.
- We reviewed the pension fund disclosures in the financial statements to confirm consistency with the report of the fund actuary and that the accounting treatment met the requirements of IAS 19.





## Areas of Audit Focus

# Audit issues and approach: Other financial statement risks (continued)

### Financial statements presentation

#### What are our conclusions?

Subject to disclosure changes identified during the audit which have been corrected by management, the Council has presented the CIES and EFA in line with the requirements set out by the Code.

We have no further findings to report.

#### What is the risk?

##### **Expenditure and funding analysis (EFA )and comprehensive income and expenditure statement (CIES)**

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact on CIES and the movement in Reserves Statement, an includes the introduction of the new EFA note as a result of 'Telling the story' review of the presentation of the local authority financial statements.

The code no longer requires statements or notes to be prepared in accordance with the service code of practice (SeRCOP). Instead the code requires that the service analysis is based on the organisational structure under which the Council operates. We expect this to show the Council's segmental analysis.

This change in the Code will require a new structure for the primary statements (CIES) and notes and a full retrospective restatement of impact primary statements. The restatement of the 2015/16 comparatives will requires audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

#### What did we do?

- We reviewed the EFA, CIES and new notes to ensure that the disclosures are in line with the Code.
- We reviewed the analysis of these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas are reported .
- We agreed the restated comparative figures back to the Council's segmental analysis and supporting working papers.

#### Assurance gained and issued arising

- We found that there were some disclosures for the EFA which had not been completed.
- We have confirmed that the presentation of the CIES and EFA is consistent to the Council's organisation structure and the quarterly budget monitoring reports.
- Our review of the entries in the CIES and EFA were consistent to the Council's financial ledger and supporting working papers.





**03** Audit Report



## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH DERBYSHIRE DISTRICT COUNCIL

##### Opinion on the Council's financial statements

We have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- the Expenditure and Funding Analysis ,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 32,
- the Statement of Accounting policies on pages 45 to 58,
- the Housing Revenue Account and relates notes 1 to 10; and
- Collection Fund and related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members South Derbyshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

##### Respective responsibilities of the Director of Finance and Corporate Services

As explained more fully in the Statement of Responsibility for the Statement of Accounts set out on page 10, Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



# Audit Report

## Draft audit report (continued)

### Our opinion on the financial statements

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Derbyshire District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

#### Opinion on other matters

In our opinion, the information given in the Annual Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



## Draft audit report (continued)

### Our opinion on the financial statements

#### **Conclusion on South Derbyshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

##### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

##### **Auditor's responsibilities**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

##### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# Audit Report

## Draft audit report (continued)

### Our opinion on the financial statements

#### Basis for Qualified Conclusion

Working with partners and other third parties

In April 2016, the Council received a series of complaints under its whistleblowing procedures which related to procurement and contract management arrangements.

During 2016/17 other investigations have revealed that:

- The Council has been operating with a number of key contracts unsigned.
- Documentation to support procurement decisions undertaken in the Housing and Environmental Services department is weak or non-existent
- The Council's contract register is incomplete and poorly maintained

The issue above are evidence of weaknesses in proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities.

#### Qualified Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, with the exception of the matter reported in the basis of for qualified conclusion paragraph above, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

#### Certificate

We certify that we have completed the audit of the accounts of South Derbyshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Stephen Clark (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Birmingham  
XX September 2017





**04**

# Audit Differences





# Audit Differences

## Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of differences

We have included all known amounts greater than £46k in our summary of misstatements.

We highlight the following misstatements in the financial statements or disclosures identified during the audit which have been corrected by management:

- In note 16, Financial Instruments, the total creditors of £10,467k was not consistent with the year-end creditors in note 20, of £10,927k.
- In our review of the cash flow statement we identified that there was a misclassification error of £99k in creditors which has now been reclassified to debtors.
- Our review of NNDR appeals provisions in note 21, identified that in cases where an appeal had been either withdrawn or successful, the Council had not amended the provision. Management has now re-stated the note to show the appropriate totals for provisions utilised and not required.



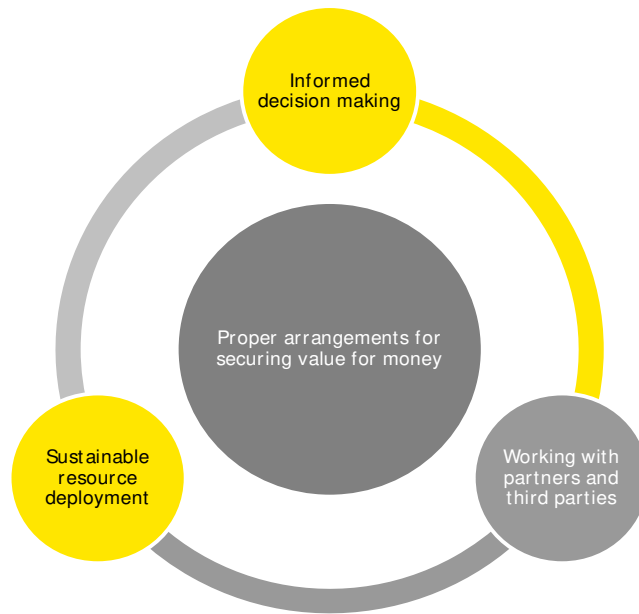


**05** Value for Money





## Value for Money



### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/ SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

### Overall conclusion



# Value for Money

## VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: *“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Plan.

What is the significant VFM risk?	Our audit approach	What are our findings?
<p><b>Securing Financial Resilience</b></p> <p>The arrangements affected are deploying resources in a sustainable manner</p> <p>In its latest medium term financial plan, the Council has identified it will experience budget deficits from 2018/19 to 2021/22 with the general fund depleting to just over the £1 million minimum level by 2021/22.</p> <p>Going forward the Council will need scrutinise its financial plans to achieve base budget savings of £850k ahead of 2018/19.</p>	<ul style="list-style-type: none"> <li>• We reviewed the MTFS including the adequacy of the major assumptions.</li> <li>• We reviewed the Council's arrangements to develop robust savings plans to address the future financial challenges.</li> </ul>	<p>2016/17 has seen the Council further its established track record of delivering budget surpluses and prudently increasing its level of reserves. The revenue budget set by the Council in February 2016 forecast a surplus on the general fund of £1,198k. The final outturn for 2016/17 resulted in the Council in exceeding this target with a final outturn of £1,780k.</p> <p>However, in the latest update of the MTFS, from 2018/19 the Council Revenue budget shows a projected deficit of £852k which increases to £2,069k by 2021/22. This consequently requires the Council to rely on the use of reserves which will see them fall from £7,141k to £1,110k across the same four year period.</p> <p>Whilst we are assured that the Council has effective arrangements in place for the 2016/17 financial year to ensure that resources are deployed in a sustainable manner, officers and members will need to focus in the coming year on the following ;</p> <ul style="list-style-type: none"> <li>• Review and challenge current service delivery models to reduce expenditure.</li> <li>• Formulate savings and efficiency plans; and</li> <li>• increase existing or identify new sources of income</li> </ul>



## VFM risks (continued)

What is the significant VFM risk?	Our audit approach	What are our findings?
<p><b>Procurement and related issues in the Housing and Environmental Services Directorate</b></p> <p>This affects the Council’s arrangements to working with partners and other third parties specifically in relation to contractual arrangements for procuring supplies and services effectively to support the delivery of strategic priorities.</p> <p>The Authority is currently investigating issues identified with respect to procurement related matters and other procedures within the Housing and Environmental Services Directorate.</p> <p>The Housing and Environmental Services department is a material part of the Council’s business. Control weaknesses in procurement are considered material to our Value for Money conclusion.</p> <p>This issues being investigated create a significant risk to our value for money conclusion with respect to the Council’s ability to take informed decisions.</p>	<ul style="list-style-type: none"> <li>• We reviewed the outcomes of investigations undertaken by Internal Audit.</li> <li>• We reviewed the outcome of investigations undertaken by the Director of Finance.</li> <li>• We reviewed the output of legal advice sought by the Authority in relation to the issues identified.</li> <li>• We have understood the extent of any identified failings in internal control, and the extent speed to which the Authority has moved to correct these</li> </ul>	<p>Our work has revealed that the Council has been operating without signed contracts in place in the Housing, Waste and Leisure services directorates.</p> <p>Furthermore, documentation to support procurement decisions undertaken by the Housing and Environmental Services departments is weak or non-existent, putting the Council at risk of legal challenge.</p> <p>In addition, the Council’s contract register is incomplete and poorly managed, increasing the operational risk of contract compliance requirements not being met and expenditure being incurred outside of contractual arrangements.</p>





**06**

**Other reporting issues**





## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Annual Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the narrative statement is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement which identified the following matters;

- The draft AGS did not adequately reflect the control weaknesses in the procurement of services in the Housing and Environment Services directorate and what course of action the Council has taken to implement actions to rectify the issues; and
- The draft AGS did not adequately reflect the external audit considerations with respect to the value for money conclusion

We can confirm it is now consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit-sub Committee.



## Other reporting issues

### Use of data analytics

We use data analytics tools in conjunction with the substantive testing undertaken on the audit of the financial statements. The areas where data analytics are used are for payroll and journals testing and also agreeing the financial statements to the general ledger. However, the tools also produce information which may be of interest to officers and members which may not ordinarily be available. At Appendix E we have provided the following data which we trust may be of interest;

- Payroll gender pay equality
- Council employees age profile
- Payroll distribution by geographical location
- Journals processing statistics which includes volume and frequency.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues which required us to issue written recommendations.



**07**

**Assessment of Control Environment and other audit matters**



## Assessment of control environment and other audit matters

### Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Whilst we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements, we have identified the following control deficiencies;

1. Related parties and declarations of interest

We reviewed the Council's arrangements to capture and evaluate declarations of interest for senior managers and elected members. We identified that three elected members had not completed the required declaration in accordance with the Council's procedures. We undertook further checks and were satisfied that the missing declarations did not have any undisclosed material related party transactions.

2. Payroll matters

Our data analytics tool for payroll identified that deductions of national insurance for one employee were not being made on a monthly basis. Further investigate confirmed that there was a payroll system error. The Council also identified this matter in late 2016/17 and paid HMRC a lump sum payment on the employee's behalf. The Council have set up a repayment arrangement to recover the contributions through monthly deductions from salary. However, we observed that whilst deductions are being made the payment agreement employee remains unsigned. We can confirm that we are satisfied that this is an isolated matter as the Council has completed a series of additional system checks which did not identify any further cases.



# Assessment of Control Environment and other audit matters

## Other audit matters

We have adopted a fully substantive testing approach and during the course of the audit have identified a number of audit issues which require bringing to your attention.

### 1. Provisions – National non-domestic rates (NNDR) appeals

We reviewed the methodology to assess and calculate the provision for NNDR appeals identified the following matters;

- there were four appeals where there was more than one provision for the same case thereby double-counting and overstating the total liability on which the provision was calculated. Our recalculation resulted in the four cases being overstated by £46k, which is not material to the financial statements; and
- Where appeals had either been withdrawn or successful, the initial calculation had not been reflected where the provision was released or utilised.

We have reviewed the Council's recalculation of the provision and are satisfied that there is no material impact on the financial statements. Management has agreed to make changes to the accounts as outlined in section 4.

### 2. Preparing for early close in 2017/18 and production of working papers

The draft financial statements were published on the Council's website on 28 June 2017 which was before the statutory deadline of 30 June 2018, but three weeks later than planned. As the deadline for production of the financial statements for 2017/18 comes forward one month to 31 May 2018, the Council will need to review its preparation arrangements to ensure that the new deadline is achieved.

### 3. Journals without descriptions.

We identified that there were 13 journals where the journal description field was blank. However, we noted that there was a compensating control which is to complete a journal log, maintained by the finance team, and included all 13 journals together with a description. This showed that there was sufficient detail enable the journal to be authorised.



# Assessment of Control Environment and other audit matters

## Audit recommendations

Finding No	Audit Finding	Recommendation	Management comment	Priority	Implementation date
1	<b>Related parties</b> Declaration of interest forms had not been completed by three individuals	Ensure that all required individuals complete an annual declaration of interests in accordance with the Council's policy.	We will endeavour to ensure that all individuals make the required declaration	H	30/4/18
2	<b>Provisions – NNDR appeals</b> There were some appeals that had been included more than once. For appeals withdrawn and that were successful, the original provision had not been adjusted.	Ensure that the methodology to prepare the provision is subject to an independent review and that there is a robust audit trail to support the entries in the financial statements.	The Council has already put plans in place with an external agency to review and advise on the calculation of the Appeals Provision	M	31/5/18
3	<b>Payroll deductions</b> The payment agreement to recover payment of outstanding national insurance contributions was not signed by the employee.	Ensure that all agreements for relevant and appropriate payroll deductions have agreement in place signed by both the Council and employee.	These instances are rare and we will endeavour to ensure that any subsequent agreements are signed.	M	30/9/17
4	<b>Production of the financial 2017/18 statements</b> The financial statements were made available at the end of June 2017 which was later than expected and still contained an number of basic and presentational errors.	Review the processes for 2017/18 to; <ul style="list-style-type: none"><li>• Prepare the financial statements and annual governance statement in advance of 31 May 2018</li><li>• Ensure that there is sufficient time to ensure that presentational errors are identified and corrected; and</li><li>• Quality working papers are prepared in advance of the audit</li></ul>	The Council is aware of the new deadline for producing the accounts next year and for the past 2 years has closed the accounts before 31 <sup>st</sup> May. Plans are in place to ensure that the final document is available for Audit within the deadline.	H	31/5/18





## Assessment of Control Environment and other audit matters

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5	<b>Journal descriptions</b>  We identified that not all journal entries posted to the financial ledger contained a narrative description	Ensure that all journal entries contain a valid narrative description	The Financial Services Manager has issued a briefing note to staff to re-iterate the matter raised.	M	30/9/17
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**08** Appendices



## Appendix A

# Required communications with the Audit-sub Committee




There are certain communications that we must provide to the Audit-sub Committees of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit-sub committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	2 February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Any significant difficulties encountered during the audit</li> <li>• Any significant matters arising from the audit that were discussed with management</li> <li>• Written representations we have requested</li> <li>• Expected modifications to the audit report</li> <li>• Any other matters significant to overseeing the financial reporting process</li> </ul>	20 September 2017 – Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about South Derbyshire District Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Significant corrected misstatements, in writing</li> </ul>	20 September 2017 – Audit Results Report





# Appendix A

		 Our Reporting to you
Required communications	What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the audit-sub committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, where applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and/or regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> <li>▶ Where appropriate, asking the audit-sub committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</li> </ul>	20 September 2017 – Audit Results Report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off"</li> <li>▶ Asking the audit-sub committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit-sub committee.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	20 September 2017 – Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information on the firm’s general policies and processes for maintaining objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	2 February 2017 Audit Plan 20 September 2017 – Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	2 February 2017 Audit Plan 20 September 2017 – Audit Results Report
Certification work	Summary of certification work	14 February 2018 - Certification Report



## Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 2 February 2017.

We complied with the APB Ethical Standards and the requirements of the Public Sector Audit Appointments (PSAA) Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit –sub Committee on 20 September 2017.

We confirm non-audit work outside the PSAA Code requirements will relate to our work on the audit of the Pooling of Housing Capital receipts. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total audit fee – code work	TBD *	49,275	49,275	49,275
Total Non-Audit work (Pooling of housing capital receipts).	TBD	TBD	N/A	2,500

We are proposing a variation to the planned fee as a result of the work required due to procedures undertaken to address the significant risk identified for the value for money conclusion.

Any final variations to scale fees are subject to PSAA approval before being billed. At time of writing this report we estimate the total variation to be in the region of £6,000.



We will discuss and agree the additional costs incurred with management and report back to you in due course.



## Accounting and regulatory update

### Accounting update

Since the date of our last report to the Audit-SUB Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on South Derbyshire District Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>• How financial assets are classified and measured</li> <li>• How the impairment of financial assets are calculated</li> <li>• Financial hedge accounting</li> <li>• The disclosure requirements for financial assets.</li> </ul> <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> <li>• Reclassify existing financial instrument assets</li> <li>• Re-measure and recalculate potential impairments of those assets; and</li> <li>• Prepare additional disclosure notes for material items</li> </ul> <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>





## Appendix C



<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"><li>• Leases;</li><li>• Financial instruments;</li><li>• Insurance contracts; and</li><li>• for local authorities; Council Tax and NDR income.</li></ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"><li>• There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</li></ul>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"><li>• Disaggregate revenue into appropriate categories</li><li>• Identify relevant performance obligations and allocate income to each</li><li>• Summarise significant judgements</li></ul> <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>



## Accounting and regulatory update (continued)

### Progress report on implementation of new standards and regulations

When considering accounting updates, there is often a significant lead time to the effective date. The table below provides comment on the Authority's preparation for the implementation of upcoming new requirements.

Name	Summary of key measures 	Impact on South Derbyshire District Council 
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has reviewed and amended the closedown process and achieved draft accounts production by 28 June for 2016/17.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> <li>• Issued a thought piece on early closedown</li> <li>• Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017</li> </ul> <p>Locally we have:</p> <ul style="list-style-type: none"> <li>• Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable</li> <li>• Together with the Council agreed areas for early work which have included testing of major income and expenditure streams at month 9.</li> </ul> <p>To further support the faster closedown, we recommend that the Council consider bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, and asset valuations.</p>



# Management representation letter

### Management Rep Letter

[To be prepared on the entity's letterhead]

20 September 2017

Mr Stephen Clark  
Ernst & Young LLP  
One Colmore Square  
Birmingham  
B4 6HQ

Dear Stephen,

This letter of representations is provided in connection with your audit of the financial statements of South Derbyshire District Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of South Derbyshire District Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:



# Management representation letter (continued)

### Management Rep Letter

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.





# Management representation letter (continued)

### Management Rep Letter

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements

#### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.



# Management representation letter (continued)

### Management Rep Letter

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees or summaries of actions of recent meetings for which minutes have not yet been prepared held through the year to the most recent meetings.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. We confirm the completeness of information provided regarding the whistleblowing allegations and subsequent investigations into this and other procurement and contract management issues undertaken by the Council.

### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

## Management representation letter (continued)

### Management Rep Letter

#### F. Subsequent Events

1. Other than matters described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto

#### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### H. Comparative information – corresponding financial information

There have been changes to the structure of the Financial Statements during 2016/17 with the introduction of the Expenditure and Funding Analysis (EFA). The financial statements for 15/16 have been restated to incorporate these changes.

The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

#### I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.



# Management representation letter (continued)

### Management Rep Letter

#### **J Reserves**

We have properly recorded or disclosed in the financial statements the useable and unusable reserves

#### **K. Contingent Liabilities**

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

#### **L. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
2. We agree with the findings of the specialists that we engaged to evaluate the fair value of financial instruments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **M. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.





# Management representation letter (continued)

### Management Rep Letter

#### N. Estimates

##### National Non-domestic Rates Appeals Provision

1. We confirm that the significant assumptions used in the making the National Non-domestic Rates (NNDR) appeals provision appropriately reflect our expectation of the likely financial exposure from NNDR appeals.
2. We confirm that no adjustments are required to the NNDR appeals provision estimate and disclosures in the financial statements due to subsequent events.

Yours faithfully,

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Director of Finance and Corporate Services

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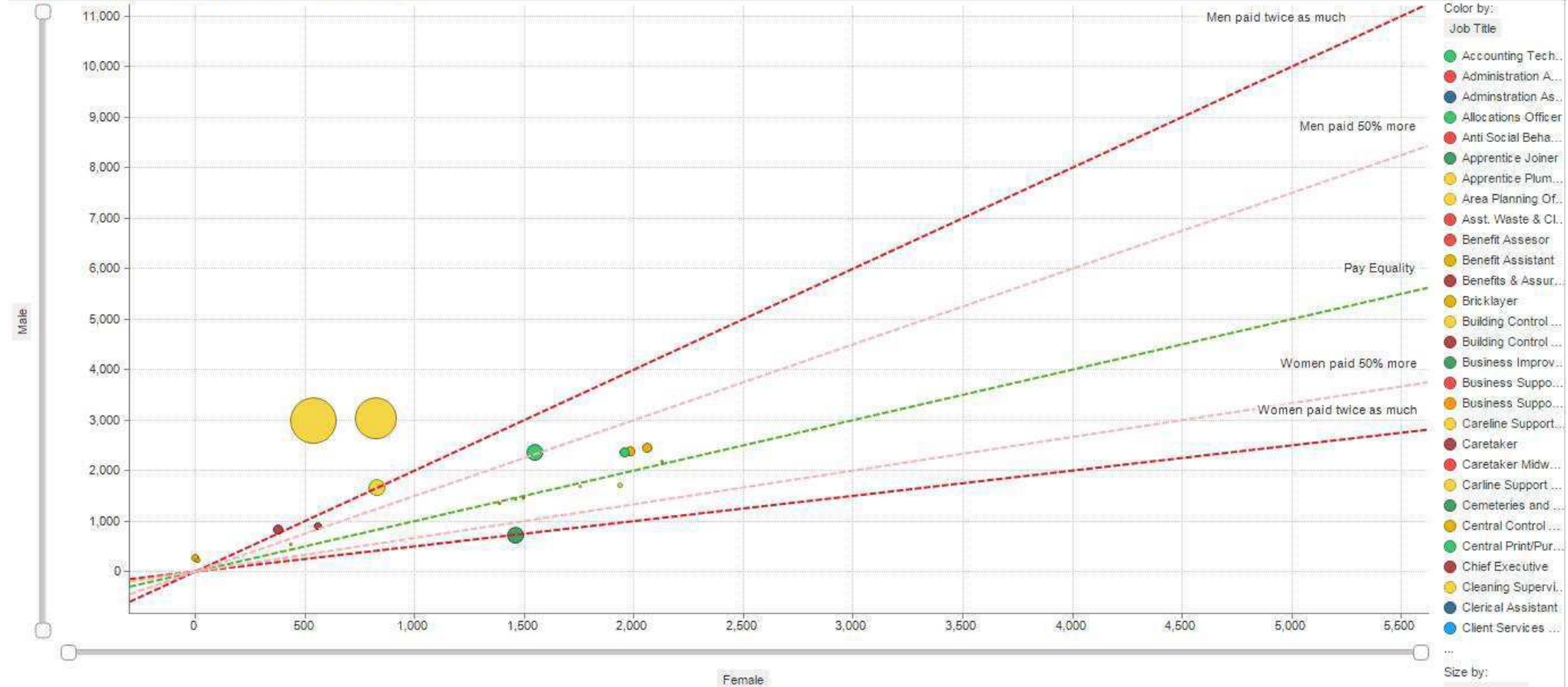
Chair of the Audit-sub Committee



# Data analytics

## Payroll gender / payroll equality

12.1 Average Gross pay by Gender by Designation



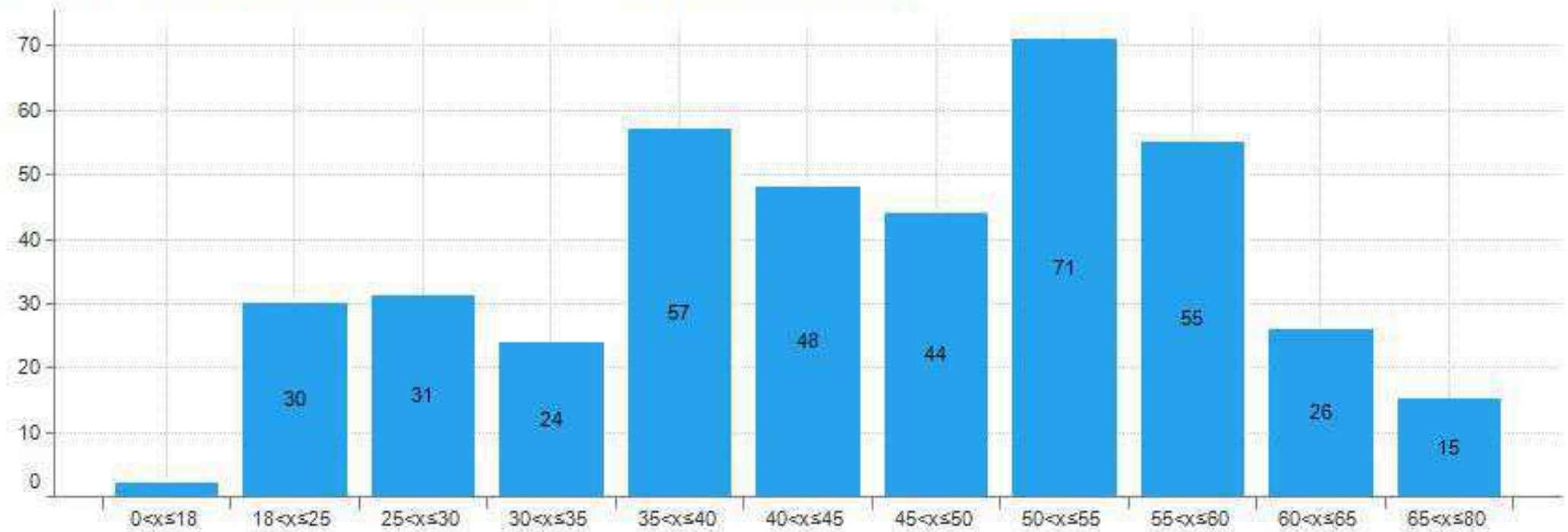


## Data analytics

Age profile of South Derbyshire District Council's staff

### 7.0 Number of Employees by Age

Please select a variable from the drop down list above to view the analysis for different variables.

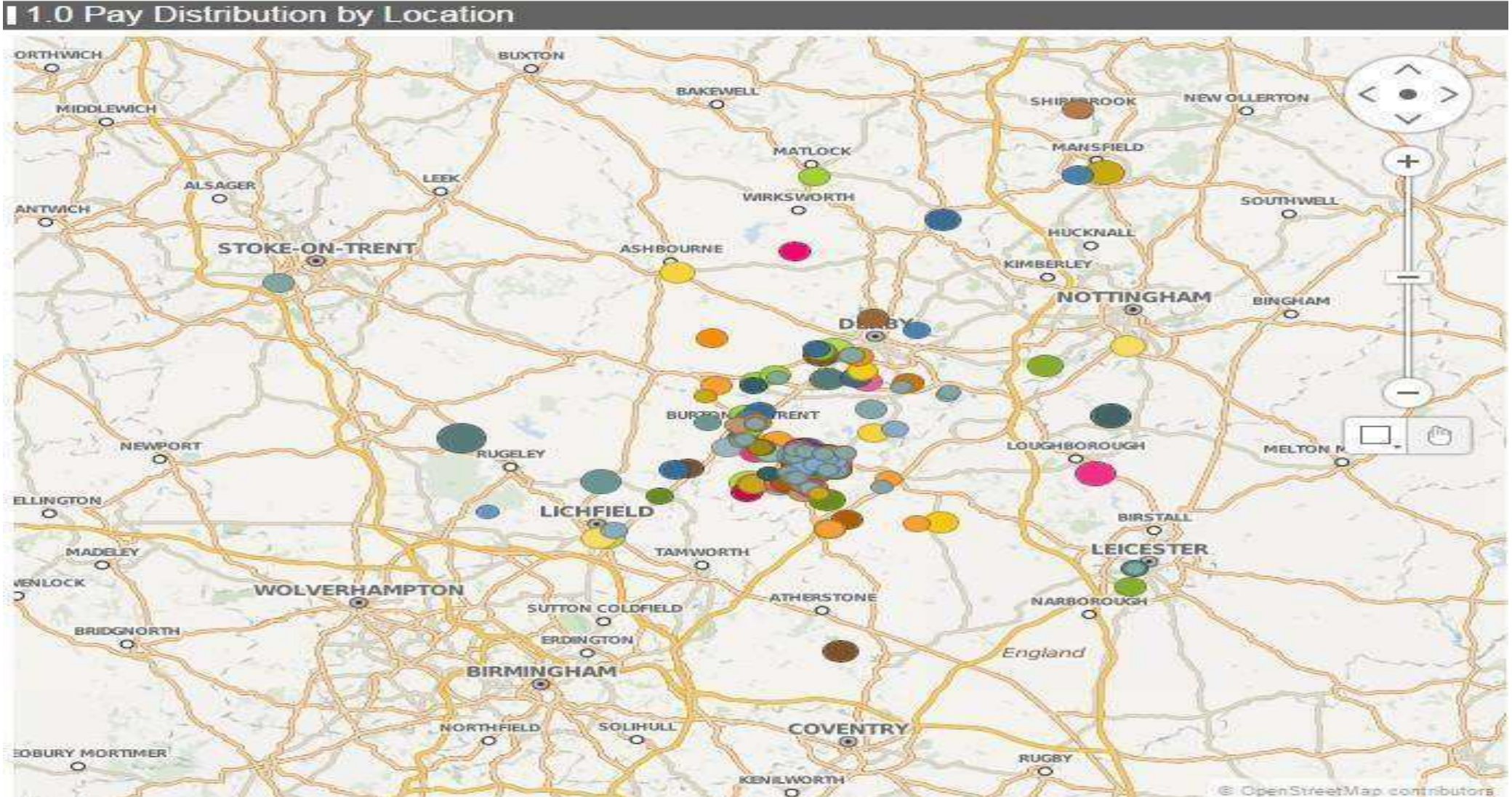






# Data analytics

Payroll distribution by geographical location

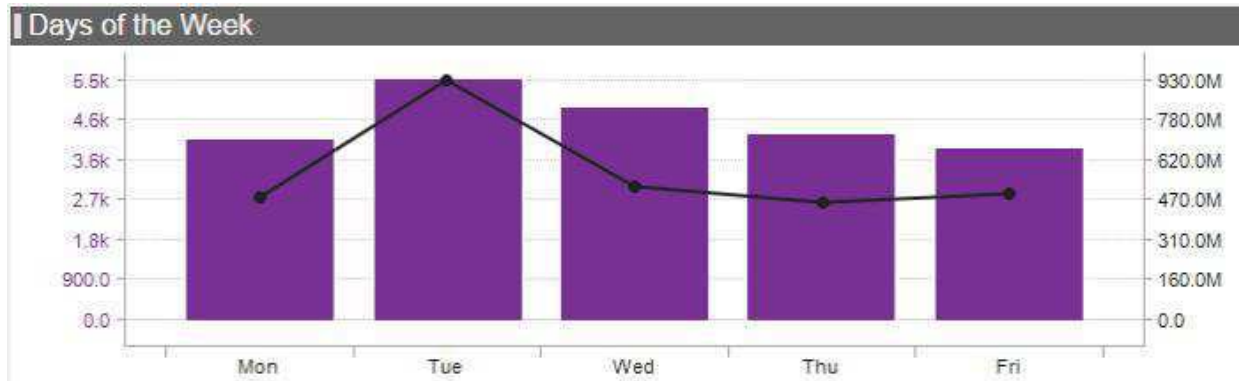






## Data analytics

### Journals processing statistics



#### Facts and Figures

Number of Journals Posted:  
**22,446**

Average Number of Journals Posted per Day:  
**78**

Average Number of Lines per Journal:  
**10**

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#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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