



**South Derbyshire District  
Council**

**Draft Audit results report**

Year ended 31 March 2021

7 December 2022



**EY**

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7 December 2022



South Derbyshire District Council  
Civic Way  
Swadlincote  
DE11 0AH

Dear Audit Sub-Committee Members

2020/21 Audit results report

We are pleased to attach our audit results report, for the forthcoming meeting of the Audit Sub-Committee. This report summarises our preliminary audit conclusion in relation to the audit of South Derbyshire District Council for 2020/21.

We have substantially completed our audit of South Derbyshire District Council for the year ended 31 March 2021, subject to concluding the outstanding matters listed in our report.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements.

This report contains our findings related to the areas of audit emphasis, our views on South Derbyshire District Council, accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money 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 Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We welcome the opportunity to discuss the contents of this report with you at the Audit Sub-Committee meeting in 7 December 2022.

Yours faithfully

Hassan Rohimun

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)” 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 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, 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 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 our prior written consent.



# 01 Executive Summary

## Executive Summary

### Scope update

In our audit planning report tabled at the 7 June 2021 Audit Sub-Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

#### Changes in materiality

In our Audit Sub-Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £982k, with performance materiality, at 75% of overall materiality, of £736k, and a threshold for reporting misstatements of £49k. The basis of our assessment has remained consistent with prior years at 2% of gross operating expenditure.

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross operating expenditure we have updated our overall materiality assessment to £1,013k. This results in updated performance materiality, at 75% of overall materiality, of £760k, and an updated threshold for reporting misstatements of £51k.

#### Additional audit procedures

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

### Status of the audit

Our audit work in respect of the South Derbyshire District Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of audit closing procedures including review of minutes to the date of signing and subsequent events procedures
- Final quality review procedures by the engagement partner and engagement manager
- Receipt of the signed management representation letter and accounts

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.

## Executive Summary

### Audit differences

We have identified two audit differences arising from our audit to date which were adjusted for by the Council. The adjustments relate to :

- Increase of pension asset and decrease to the pensions liability
- Adjustment to the revaluation and revaluation reserve of property, plant and equipment and investment property

We have identified one audit difference arising from our audit to date which will not be adjusted for by the Council. The adjustment relates to :

- Provision for NNDR £314k. The management's assessment is that the impact is not material. We ask that the rationale as to why the misstatement is not corrected be approved by the Audit Committee and included in the letter of representation.

Details of this can be found in section 4. We will update Audit and Governance Committee if there are any further issues arising from our incomplete audit procedures

### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of South Derbyshire District Council. We have no matters to report as a result of this work.

At the time of writing the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission are still outstanding. Work will be performed once the financial statements are finalised.

We have no other matters to report.

### Objections

We have received no objections to the 2019/20 accounts from members of the public

## Executive Summary

### Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

### Status of the audit – Value for Money

In the Audit Plan, we reported that we have not completed yet our value for money (VFM) risk assessment against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have now completed, our VFM risk assessment and we have not identified a risk of significant weakness. Subject to review process and concluding our work, we anticipate we will have no matters to report by exception in the auditor's report (see Section 5).

We plan to issue the VFM commentary in our Auditor's Annual Report, the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts.

### Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. 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 and which is unknown to you.

We have set out our observations at section 7 of the report.

### Independence

Please refer to Section 9 for our update on Independence.



## 02 Areas of Audit Focus





## Fraud risk

Misstatements due to fraud or error

### What is the risk?

The financial statements as a whole are not free from material misstatements whether caused by fraud or error.

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

### What judgements are we focused on?

We focused on testing key areas that are susceptible to management bias.

### What did we do?

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

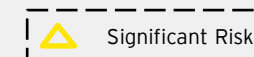
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Assessed accounting estimates for evidence of management bias; and,
- Evaluated the business rationale for significant unusual transactions.

### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

Our mandatory procedures did not identify any instances of management override.

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





## Areas of Audit Focus

# Significant risk

### Risk of fraud in revenue and expenditure recognition

#### What is the risk?

The financial statements as a whole are not free from material misstatements whether caused by fraud or error.

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

. This could be materialise as a result of either capitalising expenditure on revenue items or revenue items being incorrectly identified as Revenue expenditure funded from capital under statute, thus funded from capital.

#### What judgements are we focused on?

We focused on the following risk areas:

- ▶ Inappropriate capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement;
- ▶ Inappropriate cut-off of revenue expenditure and non-grant income at the year-end date resulting in transactions being recorded in the wrong financial period; and
- ▶ Recognition of income and expenditure in relation to new covid-19 related grants received in the year.

#### What did we do?

- Ensured that capitalised expenditure meets the criteria for this treatment.
- Substantively tested expenditure classed as Revenue Expenditure Funded from Capital Under Statute (REFCUS), ensuring that it meets the criteria for this treatment.
- Reviewed accounting policies, identifying whether consistent with prior year and the code of practice.
- Reviewed the utilisation of Capital Receipts in the year.

#### What are our conclusions

Our testing has not identified any material misstatements in relation to the incorrect capitalisation of revenue expenditure.

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



# Significant risk

### Misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

#### What did we do?

- Identify fraud risks during the planning stages.
- Inquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

#### What are our conclusions?

Subject to the completion of outstanding procedures:

- We have not identified any material weaknesses in controls or evidence of material management override.
- 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



## Areas of Audit Focus

# Significant risk

### Valuation of Property, Plant and Equipment (PPE)

#### What is the risk?

The fair value of other land and buildings represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

#### What judgements are we focused on?

Our work on valuations focused on assessing the reasonableness of the methodologies adopted by the Council's valuers in undertaking their valuations in 2020/21 and of the key assumptions input into these valuations. We have also considered those assets that were not valued in 2020/21 and the potential for material misstatement in the valuation of those assets.

#### What judgements are we focused on?

We have identified a risk to reported asset valuations due to material judgemental inputs and estimation techniques applied.

We consider the risk applies to valuation of PPE and could result in a misstatement of the asset valuations reported in the balance sheet.

Additionally, the Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty, specifically to assets valued on a market or fair value basis.

#### What are our conclusions?

Subject to the completion of outstanding procedures:

- We have assessed and are satisfied with the competency and objectivity of the Council's internal valuer.
- Based on the audit procedures undertaken, including the work of our internal specialist (EY Real Estate) we identified that in the original valuation report specialised assets, for PPE and investment properties, were not valued on a depreciated replacement cost (DRC) basis. Management obtained a revised valuation report from the valuer and made corrections the financial statements (see Section 04).
- In addition to the testing undertaken by EY Real Estate the audit team undertook further testing of a sample of assets these were found to be materially correct.



# Inherent risk

## Local Government pension Scheme

### What is the risk?

The Local Council Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Derbyshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £42m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What did we do?

- Liaised with the auditors of the Pension Fund to obtain assurances over the information supplied to the actuary in relation to South Derbyshire District Council;
- Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by considering the work of PWC (Consulting Actuaries commissioned by the NAO) and our EY actuarial team;
- Reviewed and tested the IAS19 accounting entries and disclosures made within the Council's financial statements; and
- Assessed the appropriateness of estimated information included in the financial statements by reviewing the year-end valuation of pension fund assets.

### What are our conclusions?

- The pension fund auditor noted a difference between the valuation information supplied to the actuary and the valuations used to prepare the draft pension fund accounts.
- The Council obtained an updated actuarial report to account for the difference and this resulted in a £281,000 decrease in the net pension fund liability.



# Other risk

### Going concern

#### What is the risk?

The auditing standard ISA570 has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit and Governance Committee.

The CIPFA Guidance Notes for Practitioners 2020/21 accounts states 'The concept of a going concern assumes that an Council's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an Council were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local Council financial statements to be provided on anything other than a going concern basis.'

#### What did we do?

We have performed the following:

- Challenged management's identification of events or conditions impacting going concern, tested management's resulting assessment of going concern and evaluated supporting evidence obtained which includes consideration of the risk of management bias
- Challenge management's assessment of going concern, thoroughly tested the adequacy of the supporting evidence obtained and evaluated the risk of management bias, based on our knowledge of the Council obtained through our audit
- Complied with any updated reporting requirements
- Considered all of the evidence obtained, whether corroborative or contradictory, in order to draw our conclusions on going concern
- Made necessary considerations regarding the appropriateness of financial statement disclosures around going concern.

#### What are our conclusions?

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period through to 31 March 2024. Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.



## 03 Audit Report



# Audit Report

## Draft audit report

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

#### Opinion

We have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

Council's Movement in Reserves Statement,

- Council's Comprehensive Income and Expenditure Statement,
- Council's Balance Sheet,
- Council's Flow Statement
- the related notes 1 to 36.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 10
- Collection Fund and the 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 Council Accounting in the United Kingdom 2020/21.

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 2021 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 Council Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period through to 31 March 2024.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.





# Audit Report

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## Draft audit report (continued)

### **Other information**

The other information comprises the information set out on pages 3 to 18, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **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
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

### **Responsibility of the Chief Financial Officer**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page fourteen (14), the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so. The Council 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.



# Audit Report

## Draft audit report (continued)

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

*We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:*

- *Local Government Act 1972,*
- *Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),*
- *Local Government Act 2003,*
- *The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,*
- *Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)*
- *Business Rate Supplements Act 2009*
- *The Local Government Finance Act 2012 ,*
- *The Local Audit and Accountability Act 2014, and*
- *The Accounts and Audit Regulations 2015.*

*In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety. We understood how South Derbyshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.*



# Audit Report

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## Draft audit report (continued)

*We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.*

*To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Council's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.*

*To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.*

*To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the South Derbyshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the South Derbyshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 South Derbyshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Audit Report

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## Draft audit report (continued)

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed our procedures on the Council's value for money arrangements for the year ended 31 March 2021. We are satisfied that this work does not have a material effect on the financial statements. We will report the outcome of our work on South Derbyshire District Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts 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.

### **Use of our report**

This report is made solely to the members of 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.

Hassan Rohimun  
Ernst & Young LLP  
Manchester  
Date: XX

The maintenance and integrity of the South Derbyshire District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# 04 Audit Differences





## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the 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 adjusted differences

We highlight the following misstatements greater than £51k which have been corrected by management that were identified during the course of our audit. In addition to these differences management agreed to make a number of amendments to correct disclosures errors which we identified during our audit.

Corrected misstatements 2020/21	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Known differences:						
▶ Decrease in Pension Liability		(£281 000)				£281 000
<b>Revaluation Reserve Adjustments DRC properties</b>						
▶ PPE - Land and Buildings				£645,751		
▶ Revaluation Reserve				(£590,071)		
▶ I & E Impairments reversed		(55,680 )				
<b>Impairment adjustments Investment Property</b>						
▶ Investment property				(225,000)		
▶ Revaluation (gain)/loss I & E		225,000				



# Audit Differences

## Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements which were not corrected by management. This related to the NNDR provision which included future years values, the impact is the overstatement of the provision by £314,572. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Sub Committee and provided within the Letter of Representation:

Uncorrected misstatements 2020/21	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Known differences:						
▸ NNDR Provision		(£314 572)				£314 572



# 05 Value for Money

01





# Value for money

## The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

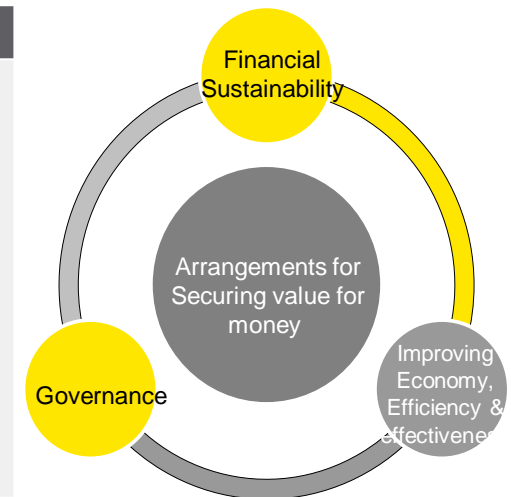
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local Council accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



## Status of our 2020/21 VFM planning

We have now completed, our VFM risk assessment and we have not identified a risk of significant weakness. Subject to review process and concluding our work, we anticipate we will have no matters to report by exception.

Under the Code of Audit Practice 2020 we are required to issue our commentary on the Council's VFM arrangements in the Auditor's Annual Report (AAR). The AAR is issued on the conclusion of the audit.



## 06 Other reporting issues

01

## 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 Statement of Accounts 2020/21 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.

We have performed our procedures in relation to these areas and have not identified any inconsistencies. We will verify this upon receipt of the final accounts.

### 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 have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission as Group Audit Instructions and the timetable for 2020/21 for WGA assurance has yet to be issued. The Group Instructions will be issued after HM Treasury have opened the 2020-21 WGA submission.

### 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 Council 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 Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. Subject to the conclusion of our work we have not identified any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Councils financial reporting process.

We do not have any other matters to communicate.



07

## Assessment of Control Environment



# Assessment of Control Environment

## 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 Council 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.

As a result of the work undertaken, we have identified the following deficiency in internal control:

Relates party transactions have been identified during our work, which were not identified by the Council. Therefore, a control deficiency raised on the fact that the declarations are not being done correctly and that more detailed explanation of what is required to be disclosed needs to be rolled out to the councillors.

The matters reported here are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



# 08 Data Analytics

# Data analytics

## Analytics Driven Audit

### Data Analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the executive's audit included testing income and expenditure recognition, journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

#### Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year across payroll codes. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



9

Independence



## Relationships, services and related threats and safeguards

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The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm that none of the services listed in the audit fee table on the previous page has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020.

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

Description	Planned Fee 2020/21 £	Final Fee 2019/20 £
Scale Fee	39,942	39,942
Additional fees	10,500	2,800
- Increase cost of regulation	2,500 - 4,000	2,100
- Audit of IAS19 Pension Fund	12,000 - 15,000	2,300
- Land & building valuations	-	7,000
- Impact of Covid 19	5,000 - 7,500	-
- VFM	3,500 - 5,000	-
- Going Concern		3,062
- Prior Period Adjustment		848
- Additional time due to weaknesses in supporting information		
<b>Total Audit Fees</b>	<b>TBC</b>	<b>58,052</b>
Other non-audit services not covered above (Housing Benefits and Pooling of Housing Capital Receipts)	TBC	17,500
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

As highlighted in the Redmond Report, local government external audit fees have not kept pace with regulatory change. We believe that changes in the work required to address professional and regulatory requirements and scope changes associated with the risk of the organisation mean that the scale fee for the Council should more realistically set at a level that reflects the complexity and risk profile of the Council, and the resulting hours required to delivery the audit. The scale fee is set by PSAA Limited.

We wrote to management and the Audit Sub-Committee Chair setting out our considerations on the sustainability of UK local public audit. A base fee of £39,942 was prescribed by PSAA for the 20/21 audit but as set out in our discussions with management and the Audit Sub-Committee for, the scale fees are impacted by a range of factors which result in additional work. There have been changes to our audit scope because of additional work in response to issues arising during the audit. We will discuss the impact of these with management before agreeing our final fee which will be subject to PSAA approval. Areas of additional work include:

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

- Using EY Real Estate experts to assess land and building valuations and the material;
- Additional procedures to consider the Council's going concern assessment;
- Additional procedures to consider the Council's arrangements for securing Value for Money
- Additional procedures to consider the estimation risk in the valuation of Pension Fund assets disclosed in the Council financial statements

We are still in the process of finalising the 2020/21 fees and will discuss the additional fees with management and will provide an update once this process has been finalised.

➤ Additional fees for the work required to discharge responsibilities under the Code of Audit Practice are subject to approval by the PSAA. The 2019/20 final additional fees were determined by the PSAA.

We confirm that none of the services listed in the above have been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Other communications

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:





[EY UK Transparency Report 2020 | EY UK](#)

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a light-colored, textured wall.




# 10 Appendices

## Required communications with the Audit Sub-Committee




There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

 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
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report June 2021
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report

## Appendix A




		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
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 related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the audit sub-committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit Sub-Committee responsibility.</li> </ul>	Audit results report

## Appendix A

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when 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 regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of 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 about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit sub-committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit sub-committee may be aware of</li> </ul>	Audit results report






## Appendix A

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
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>	Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report

## Appendix B

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:


Item 	Actions to resolve 	Responsibility 
Valuation of property, plant and equipment Reserves	Additional testing and conclusion of procedures in respect of valuation inputs, including revaluation reserve	EY and management
Procedures in respect of Local Government Pension Scheme	Review and consideration of IAS19 assurances from updated Actuary report	EY and management
Provisions	Response from management on differences identified and evaluation/conclusion by EY	EY and management
Going concern	Obtain and conclude on managements going concern assessment and disclosures	EY and management
Partner review	Minute review to point of signing and final partner review of all audit procedures including those to consider subsequent events to the date of signing.	EY and management
Whole of Government Accounts return to NAO	Completion of required assurance return	EY
Management representation letter	Receipt of signed management representation letter	Management and Audit Sub-Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited.

## Implementation of IFRS 16 Leases

In previous reports to the Audit Sub-Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2024. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliance with the 2024/25 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	<p>Management should:</p> <ul style="list-style-type: none"> <li>Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.</li> <li>Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.</li> </ul>
Policy Choices	<p>The council needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none"> <li>Whether to adopt a portfolio approach</li> <li>What low value threshold to set and agree with auditors</li> <li>Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components</li> <li>What is managements policy in relation to discount rates to be used?</li> </ul>
Code adaptations for the public sector	<p>Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).</p>
Transitional accounting arrangements	<p>Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the Council is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.</p>
Ongoing accounting arrangements	<p>Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.</p>
Remeasurements and modifications	<p>Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.</p>

About EY

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