

# Auditor's Annual Report

Bolsover District Council – year ended  
31 March 2023

March 2024



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## [Appendix A: Further information on our audit of the financial statements](#)

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

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Bolsover District Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



### Opinion on the financial statements

Our audit report, to be issued 28 March 2024 is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.

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



### Value for Money arrangements

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



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 27 September 2023 we completed our work on the Council's Whole of Government Accounts return and reported to the group auditor in line with their instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

# 02

Section 02:

**Audit of the financial statements**

## 2. Audit of the financial statements

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

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 28 March 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

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

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022,

Draft accounts were received from the Council on 30 May 2023 and were of a good quality.

### Significant matters discussed with management

During our audit we communicated the following significant matters to management

#### Treatment of Works completed on behalf of Elmton with Cresswell Parish Council

We have had a discussions with management regarding disclosures in the accounts. One matter has resulted in a material adjustment on the accounts. This relates to the project undertaken by the Council on behalf of Elmton with Cresswell Parish Council in building the new Cresswell Leisure Centre. This which was recognised as revenue expenditure which qualifies as capital under statute (REFCUS) in the draft accounts. Following discussion and challenge of managements judgement on this treatment a material adjustment was made to the accounts. The adjustment can be seen in Appendix A of this report.

#### Reinforced Autoclaved Aerated Concrete (RAAC)

Safety concerns relating to the use of RAAC have been widely reported and local authorities have been required to assess their asset portfolio. We have considered the Council's response to the RAAC issue and considered its conclusion that there was no requirement for a provision or impairment in its 2022/23 accounts. We have considered the Council's assessment and consider it appropriate, based on the information provided by management.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law;
- make an application for judicial review; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

We received a statutory objection from a local elector. We considered the evidence provided by both the local elector and Council. We issued our Statement of Reasons in December 2023.

# 03

Section 03:

**Commentary on VFM arrangements**

### 3. Commentary on VFM arrangements

#### Overall summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

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

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

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

Although we describe this work as planning work, we keep our understanding of arrangements under review

and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

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

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

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

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

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

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

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

- **Other recommendations**

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

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

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	To include the financial activities of Dragonfly Development Limited in the MTFP
 <b>Governance</b>	15	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	19	No	No	No

### 3. Commentary on VFM arrangements

#### Financial Sustainability

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



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2021/22. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

### Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council’s service users.

### The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including reporting to Members. On the 20<sup>th</sup> January 2022 the council presented the Medium Term Financial Plan (MTFP) which showed a balanced budget for 2022/23. In its MTFP the council projected deficits where this would be funded by contributions from reserves, below we have figures from the revised budget for 2022/23:

Year	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Total Spending Requirement	11.773	16.844	17.581	13.572	13.825
Total Funding	11.691	11.825	17.581	13.571	13.835
Funding Gap (Surplus)	0.082	0.018	0	0	0

### 2022/23 Budget Setting and the Medium-Term Financial Plan

In developing the financial projections, the Council made several assumptions. The major assumptions including, staffing budgets as an estimate for a pay award. Investment income as a result of treasury management decisions has been increased slightly (£0.020m) in all years of the MTFP as interest rates are expected to rise. Inflation specific budgets such as energy costs and fuel were amended to reflect anticipated price changes. With respect to planning fees, a base level for income had been included for all future years of £0.400m. Fees and charges service specific increases were as agreed by Members.

In 2022/23 the Council acquired interest in a subsidiary Dragonfly Development Limited (DDL) as an investment to improve the Council’s financial sustainability in the future whilst improving the provision of sustainable housing in the Bolsover district. A full business case was approved by Council in February 2022. Through review of the 2022/23 MTFP we noted that budget did not include any income and expenditure related to DDL. We have been informed that in 2022/23, the year we reviewed, there has been minimum activity in the subsidiary with the expectation that it will pick up in 2024/25. We understand from discussion with officer the budget/MTFP are being prepared to include DDL however the 23/24 MTFP did not reference DDL.(see recommendation below) . The Council has reviewed a detailed income and expenditure report which has been made available to the auditors. The subsidiary is to be included in future plans. Based on work completed for the year ended 31 March 2023 we have not identified any matters to indicate any significant weakness in arrangements. We will review the arrangements for DDL further in our work for the year ended 31 March 2024. This will include the financial planning and governance arrangements associated with DDL.

### Other Recommendations Relating to Non-Significant Weaknesses

R1 - We recommend that the Council explicitly includes the MTFP income and expenditure that relates to Dragonfly Development Limited.

### 2022/23 Statement of Financial Position and Outturn Report

The purpose of the Council’s general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

# VFM arrangements – Financial Sustainability

## 2022/23 Statement of Financial Position and Outturn Report (Continued)

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

The Council's usable reserves have increased by £0.599m from £48.6256 to £49.225m in 2022/23, with:

- General Fund & Earmarked Reserves of £25.519m, up from £24.662m in the prior year
- HRA Reserve of £8.811m, down from £13.886m in 2021/22
- Capital Reserves of £14.895m, up from £10.0078m in 2021/22.

We have further reviewed the Council's outturn reports as presented to the cabinet on the 27 June 2023. The variances were as follows:

Directorates	Budget £m	Outturn £m	Variance £m
GF: Resources	5.431	4.748	(0.683)
GF: Strategy and Development	4.940	4.339	(0.601)
Net cost of Services	10.371	9.087	(1.284)
HRA: Resources	(14.539)	(14.438)	0.101
HRA: Strategy and Development	6.502	5.891	(0.611)
Net cost of services	(8.037)	(8.547)	(0.510)

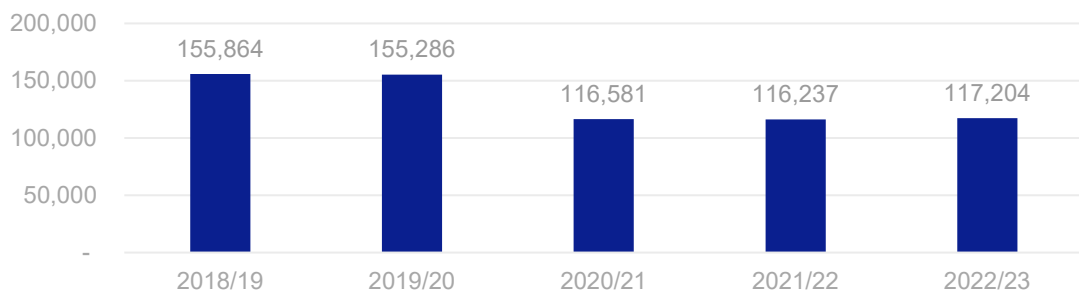
The main variances on net cost of Council expenditure was due to net debt charges and investment interest of £0.572m; £0.668m net underspend on staff related budgets; £0.070m increased planning fees; extra grants received of £0.064m. The balance was non-staff miscellaneous variances £0.572m. The variance on the HRA net cost of services mirrors that of the general fund where the main expenditure underspends were in relation to staff costs at £0.093m and utilities at sheltered dwellings of £0.075m. The income position was over-achieved by £0.236m due to better than anticipated property lettings and favourable miscellaneous income variances. The variances have been disclosed and explained in the narrative report on the 2022/23 Statement of accounts.

# VFM arrangements – Financial Sustainability

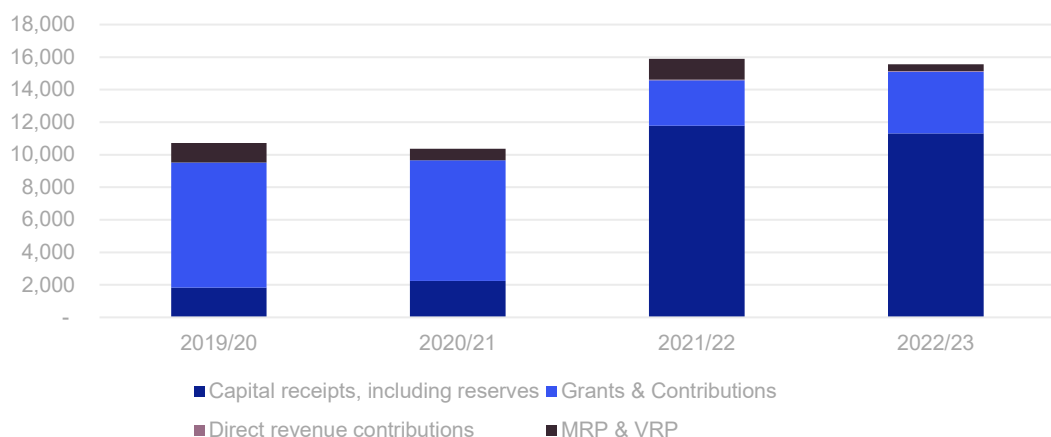
## The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year and there is no evidence of a significant weakness in arrangements. We considered the Council's capital financing requirement as set out in Note 34 of the financial statements, which has reduced from £155.864m in 2018/19 to £117.204m in 2022/23. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.

### Capital financing requirement



### Sources of capital finance £'000



In 2022/23, the Council spent £14m on capital additions and £1m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). Our detailed testing of capital additions did not identify any material issues, however there was an error identified in REFCUS where expenditure of approximately £1m was incorrectly recognised as REFCUS, this was corrected by the Council and we are satisfied is no indicative of a weakness in arrangements impacting financial sustainability.

As part of paying down the capital financing requirement, the Council charged £0.560m to the general fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. The importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority. We reviewed the Council's Policy for 2022/23 and its supporting calculations as part of our work on the financial statements audit and have benchmarked the Council's charge against our database of other district Councils:

Minimum Revenue Provision as a % of the Capital Financing Requirement	2021/22	2022/23
District councils: average	3.2 %	3.4 %
District councils: bottom quartile	1.0 %	1.2 %
Bolsover District Council	11.6 %	7.1 %

The Council's Capital Financing Requirement (CFR) has shown a gradual decrease over the past couple of years with an increase of just under £1m in the current year. The Council MRP including Voluntary Revenue Provision (VRP) has been consistent at approximately £0.700m in the past. In 2022/23 there was a reduction where the MRP was £0.400m. Despite the reduction, the Council's MRP charge is above the average charge amongst other district Councils.

It is important the Council consider the impact of its arrangement with Dragonfly Development Limited on future CFR and in particular the capitalisation regulations. We will consider this as part of our work in future years. We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements for the year ended 31 March 2023.

Based on our work we are satisfied there is no evidence of a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

### 3. Commentary on VFM arrangements

#### Governance

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



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from the previous year.

### The Authority’s governance structure

The Council has approved and adopted a code of corporate governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the ‘Delivering Good Governance in Local Government Framework’ 2016 edition. The Council is responsible for putting in place proper arrangements for the governance of its affairs and for facilitating the effective exercise of its function. This governance arrangement is detailed in the Councils Constitution and the summary is included in the Annual Governance Statement. The Council’s governance prioritises as identified in the Framework and Constitution are:

- Customers,
- Economy; and
- Environment

We have attended the Council’s Audit Committee meetings; we have reviewed minutes from the different committees against our understanding of the Council as part of our audit. Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made. Based on our work, we are satisfied there is no evidence of a weakness in the Council’s governance arrangements

### Risk management and internal control

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. The Council has embedded risk management by the establishment of a Risk Management Group which is led by Members and attended by senior officers, internal audit and health and safety officers. The group regularly reviews all risk registers, offering challenge to the assessment process. The group leads on the development and review of all risk related policies, plans and strategies across the Council. These are supported by a Risk Management Strategy which identifies and mitigates the Strategic and Operational risks. The Risk Management framework includes a quarterly reporting process to Audit Committee.

The Risk Management approach, both in the identification of risks and the action taken to address the risks, is flexible and has the ability to respond to change. National policies, service delivery arrangements, national and local circumstances, together with Council priorities have, and will continue, to change and evolve over time. The Council’s Risk Management focus and arrangements are designed to adjust to ensure that current threats and opportunities are effectively addressed and not stifled by inappropriate risk management arrangements.

We have reviewed the risk registers and noted that these are reviewed regularly, with each strategic risk identified being assigned a ‘risk owner’ in order for there to be ownership and accountability. The ‘risk owners’ would then review their allocated strategic risks at quarterly intervals. Additionally, the strategic risks are also communicated to the Audit for additional scrutiny.

The Council has an annual Internal Audit plan which is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The planned work can be supplemented if necessary, by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2022/23 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to each Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit Consortium provides an opinion based on the work completed during the year. For 2022/23 the Head of Internal Audit report concluded that a reasonable level of assurance could be provided on the overall adequacy and effectiveness of the Council’s framework for governance, risk management and control.

Throughout the year we have attended Audit Committee meetings. Through attendance at these meetings we have confirmed that the Committee receive regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active member engagement from the Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.



# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Governance structure for Dragonfly Development Limited

A full business case for Dragonfly Development Limited (DDL) was presented and approved by full Council in February 2023. The business case detailed the rationale for establishing DDL and a subsidiary management company. The Business case also detailed the proposed governance arrangements for DDL. We considered the business case and its approval and identified no evidence to indicate a significant weakness in arrangements.

We note a service level agreement was signed between the Council and the DDL post 31 March 2023. This details the review and monitoring processes for the Council and the company. Each body i.e. the Council and DDL is required to select a representative where frequent meetings would take place in order to monitor performance. The Director of Construction is thereafter required to provide a report to Local Growth Scrutiny on the performance of Dragonfly. We will consider further the performance of DDL and the operation of the governance arrangements specified in the business case and subsequent agreements as part of our future value for money work

Through review of minutes, we note the Council approved the business case, including oversight arrangements for monitoring the performance of Dragonfly Development Limited. As at the year ended 31 March 2023 we have identified no matters to indicate a significant weakness in arrangements.

### Setting and the Medium-Term Financial Plan (MTFP)

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. We read the report to Council in January 2023, where a balanced budget was set. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable. The Council reflects on the limitations of medium-term financial planning through the one-year local government finance settlements.

The table below reproduces the MTFP table.

Year	2023/24 £m	2024/25 £m	2025/26 £m
Total Spending Requirement	16.843	17.581	13.571
Total Funding	11.825	17.581	13.571
Funding Gap (Surplus)	0.018	0	0

We considered reasonableness of the 2023/24 Revised budget by reviewing the most recent report to Finance and Corporate Overview Scrutiny Committee (January 2024) on financial performance. This sets out a potential £0.018m general fund budget variance, which agrees to the plan and therefore does not raise concern over financial sustainability.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.

### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

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



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

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

<b>Significant weakness in 2021/22</b>	Nil.
<b>Significant weaknesses identified in 2022/23</b>	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements brought forward from the prior year and the Council’s arrangements are not significantly changed since the prior year.

### Council Plan and Performance Monitoring

The Council has in place 2020-2024 Ambition which encompasses its vision to become a dynamic, self-sufficient and flexible Council that delivers excellent services, whilst adapting to local aspirations and acting as the economic and environmental driver for Bolsover District. To achieve this, the Council has three aims designed to deliver this vision through priorities that cover the Council Ambition 2020-2024 and these related to Customers, Economy and the Environment.

The Council has identified the key performance indicators, and target levels of performance, in relation to these priorities. The performance targets are informed by national standards, local benchmarking and experience and subject to initial challenge and confirmation. The Council has in place a performance management framework which includes identified responsibilities of managers and processes for regular performance reporting and corrective action if required. Portfolio holders meet regularly with Assistant Directors and Directors to discuss, amongst other things, the performance of services against targets. There is quarterly reporting to the Audit and Corporate Overview Scrutiny Committee and the Executive. These quarterly reports take the form of a dashboard and identify whether the performance is achieved or on/off track. The quarterly reports include an appropriate commentary to explain any significant factors which are affecting performance and actions being taken to correct performance. Based on review of minutes there is evidence of appropriate scrutiny of these reports. We also note that there are no issues noted by the Head of internal Audit that would suggest performance issues.

On an annual basis, the Council’s overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council’s progress against its ambitions, highlighting key successes

and risk areas. The Narrative Report also includes an agreed plan for subsequent years, including any areas for improvement. This provides the public with an overall assessment of the Council activities for the financial year

A sample of targets as reported in the Q4 report for 2022/23 have been reviewed and confirmed that this was in line with what has been reported in the narrative report which forms part of the annual financial statements. The quarterly reports demonstrate that performance has been managed throughout the 2022/23 year and any significant variances have been justified. Based on our work we are satisfied there is evidence to demonstrate arrangements are in place for performance monitoring and management at the Council.

Based on review we are satisfied the Council continues to have arrangements for standing financial instructions, purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies regarding purchasing controls.

Overall, we have not identified any indicators of a significant weakness in the Council’s arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

### 3. Commentary on VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



### 3. Identified significant weaknesses and our recommendations

#### **Identified significant weaknesses in arrangements and recommendations for improvement**

As a result of our work we are satisfied there are no significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

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

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

## 4. Other reporting responsibilities and our fees

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

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 27th June 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£38,056	£45,112
Additional fees in respect additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	£9,500	Included in Scale Fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£3,590	-
Additional fees in respect of additional work from the introduction of new auditing standards (ISA315 Planning and Risk Assessment)	-	£5,492
Technical Accounting Issues: REFCUS Finding	-	£3,668
Additional costs arising from the acquisition and treatment of Dragonfly Development Limited	-	£1,934
Additional fees in respect of the VFM Commentary	£7,500	£8,001
<b>Total fees – For Audit Opinion</b>	<b>£58,636</b>	<b>£64,207</b>
<b>Fee arising from the objection work</b>	<b>-</b>	<b>£13,027</b>

### Fees for other work

We confirm that we have undertaken one assurance related service for the Council in the year: Assurance return on the pooling of housing capital receipts for £5,500. We are satisfied there are adequate safeguards in place regarding our independence and objectivity.





# Appendix

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

## Significant risks and audit findings

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

Risk	How we addressed the risk	Audit Conclusion
<p><b><u>Management Override of Controls</u></b></p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting amounts included in the financial statements</li> <li>• consideration of identified significant transactions outside the normal course of business</li> <li>• journals recorded in the general ledger and other adjustments made in preparation of the financial statements</li> </ul>	<p>Our work has provided the required assurance, and we have no matters to report.</p>
<p><b><u>Net defined benefit liability valuation</u></b></p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> <li>• Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson LLP;</li> <li>• Liaising with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation to complete and accurate;</li> <li>• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office (NAO); and</li> <li>• Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> </ul>	<p>Our work has provided the required assurance, and we have no matters to report.</p>

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

## Significant risks and audit findings (continued)

Risk	How we addressed the risk	Audit Conclusion
<p><b><u>Valuation of Dwellings, Land &amp; Buildings and Investment Property</u></b></p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is significant risk in this area.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> <li>critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations</li> <li>considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies</li> <li>assessing whether valuation movements are in line with market expectations by using third party information provided by Montagu Evans to provide information on regional valuation trends</li> <li>critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers</li> </ul>	<p>Our work has provided the required assurance, and we have no other matters to report.</p>

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

## Enhanced risks and audit findings

Risk	How we addressed the risk	Audit Conclusion
<p><b><u>Acquisition of Dragonfly Development Limited</u></b></p> <p>In October 2022, the Council acquired a wholly owned subsidiary, Dragonfly Development Limited, which was previously held as a joint venture. The Council has not produced group accounts in 2023 as the subsidiary has been assessed as immaterial. Due to the complexity in accounting for acquisition of interest in companies or other entities, this transaction has been highlighted as an enhanced risk</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> <li>• reviewed the transaction and accounting treatment made in reporting the acquisition; and</li> <li>• reviewed the judgements made by the Council in arriving at the conclusion not to produce group accounts for the 2022/23 financial year.</li> </ul>	<p>Our work has provided the required assurance, and we have no matters to report.</p>

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

## Summary of corrected misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: General Fund Cr: Capital Receipts Reserves			63	63
	Dr: PPE (AUC Additions) Cr: CIES		63	63	
	Assets Under Construction incorrectly classified as REFCUS				
2	Dr: Revaluation Reserve		175		
	Cr: Property, Plant and Equipment (Other Land and Buildings)				175
	Adjustments due to overstatement in revaluation of property.				
3	Dr: General Fund Cr: Capital Receipt Reserves			1,272	1,272
	Dr: CIES – Grants and Capital contributions Cr: CIES - Deferred charges	1,272	1,272		
	Correction of the cost incorrectly recorded as REFCUS in relation to an agency arrangement with Elmton Creswell Parish Council in managing the building of a leisure centre.				
	<b>Total adjusted misstatements</b>	<b>1,272</b>	<b>1,335</b>	<b>1,573</b>	<b>1,510</b>

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

## Summary of uncorrected misstatements

We reported two unadjusted misstatements identified during the course of the audit. This misstatement was immaterial.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension liability Cr: Unusable reserves			211	
					211
	The pension fund auditor reported a 0.18% movement in the asset values in the pension fund between the date of submission of information to the actuary and the year end. This equates to £211k movement to the Council's share of pension fund assets. We report this as an unadjusted uncertainty.				
2	Dr: Property, Plant and Equipment Cr: Revaluation Reserve			92	
					92
	<b>Total unadjusted misstatements</b>			<b>303</b>	<b>303</b>

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

## Summary of internal control recommendations

### Disclosure of investment in subsidiary in separate accounts

Our audit reported an internal control recommendation. This was accepted by management.

#### Description of deficiency

The Council holds its investment in subsidiary at fair value through profit and loss in its single entity accounts. Through review of this area during the audit we noted that despite the Council's accounting policy the Council has not performed fair valuation of its investment in Dragonfly Development Ltd as at 31 March 2023. The investment has been disclosed at cost (£364k0. Based on our review and nature of the investment, we note that the value disclosed is not materially different to what would be considered the fair value of the subsidiary.

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#### Potential effects

Non-compliance with the Council's accounting policy could lead to a material misstatement in the accounts.

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#### Recommendation

The Council should ensure that the subsidiary is fairly valued at each reporting date. This assessment should be clearly documented, and the assumptions used should be readily available for audit.

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#### Management response

The process of valuing Dragonfly Development Ltd at 31<sup>st</sup> March 2024, has been added to the financial services year-end timetable to ensure this oversight is not repeated for the financial year 2023/24.

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# James Collins

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