Derby City Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

7 September 2017

Ernst & Young LLP

Building a better working world

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Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The ‘Terms of Appointment from 1 April 2015’ issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit and Accounts Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/2016 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	We reported our interim findings in respect of our audit of the 2015/16 statement of accounts to the Audit and Accounts Committee on 28 September 2016. In June 2017 we used our statutory powers under Section 24 of the Local Audit and Accountability Act 2014 and issued written recommendations to the Council. This report concludes our reporting in respect of the Council's 2015/16 Statement of Accounts. We have now substantially completed our audit of the financial statements of Derby City Council for the year ended 2015/2016. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in Appendix E: · receipt of the signed management representation letter We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements. We conclude that you have not put in place proper arrangements to secure value for money in your use of resources. Due to the extreme lateness of the final accounts for 2015/16, we have received confirmation from the National Audit Office that they do not require us to perform procedures regarding the Whole of Government Accounts submission. We expect to issue the audit certificate at the same time that we issue our audit opinion.
Audit differences	We have identified 4 unadjusted audit differences within the draft financial statements, which management have chosen not to adjust. We ask the Audit and Accounts Committee to consider approving management's rationale as to why these corrections have not been made and, if approved, include this in the Letter of Representation. Appendix A to this report sets out the uncorrected misstatements. We do not consider these to be material to our audit opinion. Our audit identified a number of further audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix B.

Scope and materiality	In our audit plan presented at the 23rd March 2016 Audit and Accounts Committee meeting, we communicated that our audit procedures would be performed using a materiality of £6.9mn. We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied. The threshold for reporting audit differences which impact the financial statements has also not changed from £346k. However, based on feedback from the Audit and Accounts Committee in September 2016, we have included lesser amounts in our reporting at Appendix A and B. The basis of our assessment is 1% of gross operating expenditure. We carried out our work in accordance with our Audit Plan.
Significant audit risks	We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan: · Valuation of property, plant and equipment; · Risk of fraud in expenditure recognition; and · Risk of management override. The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues, and the issues identified.
Other reporting issues	Subsequent to the issue of our Audit Plan on 23 March 2016, Grant Thornton, our predecessor, used their statutory powers to issue a Report in the Public Interest on 16 June 2016. The report highlighted various matters of concern with respect to the Council's Governance arrangements (both historic and ongoing), Member/Officer relations, and Procurement and Project Management arrangements. Our audit approach has been responsive to the issues raised in Grant Thornton's Public Interest Report and the report is specifically referenced in our Value for Money conclusion. In June 2017, we used our statutory powers under Section 24 of the Local Audit and Accountability Act 2014 and issued written recommendations to the Council. This followed significant delays in the finalisation of the Council's 2015/16 Statement of Account and an unacceptable length of time being taken to respond to and correct control weaknesses identified in our audit procedures, and communicated to the Audit and Accounts Committee in September 2016.
Control observations	As we noted in our Audit Plan, our intention was to test the internal controls in place at the Council and place reliance upon them. However, our initial procedures to document and understand the processes and controls in place at the Council highlighted some control weaknesses which we felt it appropriate to communicate to the Audit Committee at that time – and these were included in our Audit Plan. We therefore adopted a fully substantive approach and did not test the operation of controls. However, during the audit, we did identify a number of observations and improvement recommendations in relation to management's financial processes and controls. These have been set out in the 'Control themes and observations' section of this report. In our view, the control issues identified across a significant number of areas of the Finance and associated supporting functions, most

noticeably in respect of the Estates function, are pervasive and led to a significant number of errors identified in the published draft Financial Statements relating to both the current and prior year accounting periods. This could undermine the Council's ability to effectively demonstrate it has proper arrangements to safeguard and make informed decisions in respect of public funds and assets.

It has been a particularly long and difficult process to prepare and audit the 2015-16 Statement of Accounts. We would like to take this opportunity therefore to thank the Council's staff and Members for their continued assistance during the course of our work.

Stephen Clark

Partner
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, ordinarily we are also required to review and report to the National Audit Office on your Whole of Government Accounts return. Given the significant delay in publishing the Final Statement of Account, we have been informed by the National Audit Office that they do not require any reporting from us in this regard for 2015-16.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risk: Valuation of Property, Plant and Equipment

Land and buildings are the most significant balance in the Council's Statement of Financial Position.

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

Audit procedures performed

- Understood and assessed the process that the Council undertakes when valuing its land and buildings, and the controls in place.
- Reviewed (on a sample basis) the output of the Council's internal valuer, and subsequently the Council's external valuer: and
- Challenged the assumptions used by the Council's valuers by reference to external evidence and our EY valuation experts.
- Tested the journals for the valuation adjustments and checked that they were accurately processed in the accounts.

Assurance gained and issues arising

The Council has undertaken an extensive review of its asset valuations following concerns raised in October 2015 by a whistle-blower. This work was the reason for the delay in issuing the draft financial statements, and failing to meet the 30 June 2016 statutory publication deadline.

We have used our EY valuation specialists to understand the valuations methodologies adopted by the Council's Estates team, and the systems and processes in place, and to perform testing of those valuations on a sampled basis.

As a result of our initial work on the published draft financial statements, we considered that the process for valuation of the Council's housing stock appeared to be thorough and robust. We tested, on a sample basis, these valuations back to supporting evidence and have no concerns to report.

Our initial testing on the valuation of other property, plant and equipment consisted of a detailed review of 29 asset valuations prepared by the Estates team in the 2015-16 financial year. The purpose of this work was to provide assurance over whether the concerns raised by the whistleblower appeared to have merit. As a result of examining this small sample of assets, a number of issues were identified. These were communicated to the Committee in September 2016 and are repeated here for completeness and to demonstrate their satisfactory resolution.

1. The Assembly Rooms suffered a major fire on 14 March 2014. Almost a year later (5 March 2015) the Council took the decision that the venue would never reopen. This decision should have triggered an impairment review in respect of the value of the asset

in the Council's accounts. It did not.

At 31 March 2016 in the published draft financial statements the Council valued the Assembly Rooms at £300k (an impairment of c.£37mn compared to the valuation at 31 March 2015).

Two issues arise: the appropriateness of the new valuation and the timing of the impairment.

2. Given that the Assembly Rooms was specifically being considered in our sample of 29, we traced the valuation prepared by the Estates team through to the value of the asset held on the Council's fixed asset register (which in turn feeds the financial statements). We noted that the fixed asset register contained many individual line items with respect to the Assembly rooms (the restaurants beneath, etc.). The total value of all these line items in the fixed asset register did not agree to the value of the Assembly Rooms as determined by the Estates team.

3. After observing the large number of items on the fixed asset register which related to the Assembly Rooms, we challenged why the Car Park was included at zero value. We were informed that this was an oversight on the Council's part.

4. We selected a number of items relating to parks and assets held on parks in our sample.

   The Council's approach to valuing Parks is to do so by considering the individual 'components' that make up a Park (play equipment, ranger stations, etc.) and value these individually. By way of example, Markeaton Park has 78 assets listed separated into various components of land, buildings and equipment. The various components of the park do not meet the criteria for componentisation as they are not significant to the park in its entirety. Our view is that this is not best practice, and the park should be valued as a whole. When further examining the parks value held on the Council's fixed asset register we noted the following issues:

   - £5.6mn on the fixed asset register described as 'parks and open spaces'. The Council is unable to provide us with information as to which specific Parks/Open spaces this value relates to.

   - Play equipment held on the fixed asset register with an indefinite useful economic life – meaning that it is not being depreciated.

5. In the published draft financial statements, the Council had posted a £78mn prior period adjustment as a result of changing, during the 2015/16 financial year, the basis and methodologies employed for valuing the land elements of the land of some Council properties. These properties are predominantly schools but also include libraries and sports centres and many of these assets sit within residential areas. Previously the land element was valued based upon a nominal rate, however when adopting the modern equivalent approach the owner would need to compete for residential development land. This type of land will have a higher market price than the nominal rate previously used.

   Applying the change in valuation had resulted in a net revaluation gain of £78.183mn in 2014/15. The draft financial statements have been restated for consistency and to enable comparison between years.

   Valuations are, by nature, judgemental and we look for valuations to be within a materially acceptable range. In our view, the position taken by the Council in the published draft financial statements was at the most aggressive point of the valuation spectrum in this regard.

   Guidance in this area is not clear. However, it is our understanding that the various interested parties are currently part of a working group to clarify guidance, and we would expect that clarification to be available within the next 12 months. We feel it is unlikely that the guidance would be set at the aggressive point of the range, and therefore the Council would need to reverse, at least in part, this upward valuation within the next 12-24 months.

6. There were a number of individual assets in our sample where the value determined by the Council's Estates team was outside of the acceptable range in the view of EY valuation experts. These assets were:

Asset	Original 15/16 value £'000	Revised 15/16 value £'000
Bold lane car park	275	2,150
Chaddesden Park	148	733
Chester Park	605	725
Former tannery site	67	425
Jubilee park	530	530
Total	1,625	4,563

7. At the 31 March 2015 the Council's accounting policy was to recognise as property, plant and equipment on the balance sheet if its value was in excess of £10k. However, an asset would only be included in the rolling asset valuation program if its value was in excess of £50k.

   This meant that there were many items on the asset register valued at between £10k and £50k which were not subject to review from a valuation perspective.

   For the year ended 31 March 2016 the Council has amended its policy. Property, Plant and Equipment is still recognised on the balance sheet if it is valued at over £10k, but now all assets are subject to revaluation on the rolling program. In the published draft financial statements the total value of assets valued at between £10,000 and £49,999 was £11mn. There was therefore a risk that this portion of the asset portfolio was inappropriately valued.

8. We found evidence that asset lives had not been adequately reassessed on a yearly basis. During our sample for depreciation testing, we identified that 6 assets relating to buildings under the category 'Land and buildings' had a 1 year life span at the beginning of the period however additions were made during the year to the value of £4,889,625. The addition was fully depreciated in the 15/16 year due to 1 year life span at the beginning of the period.

9. We identified that assets (photocopiers and vehicles) were recorded in the published draft financial statements but should have been derecognised in prior period.

As a result of these findings, in our Progress Report presented to the Audit and Accounts Committee on 28 September 2016 we stated that, "In summary, the issues noted with respect to the Council's asset portfolio are extensive and exceed those which were originally highlighted by the whistleblower. A significant amount of work needs to be undertaken by the Council to satisfy itself that the assets held on its balance sheet both at 31 March 2016 and 31 March 2015 are complete, exist, and are valued appropriately."

The Council presented a revised set of valuations for audit on 1 December 2016, from which we selected a sample of assets for further testing. Our sample was selected from assets both included in the 2015-16 rolling program of valuations and also those not included (since our initial testing had revealed potential issues with historic valuations as well as current year valuations).

On receipt of the revised set of valuations, the following matters were immediately noted and queried of management:

- The £5.5mn of parks and open spaces already determined not to exist was still included in the listing
- A school building was included in the listing which appeared to have no associated land

Whilst the first item (the £5.5m parks) was considered to be an oversight, and would be removed in the final statement of account, the second item, upon further investigation, revealed that a school site move which had occurred in 2009 had not been appropriately reflected in the valuation of the school buildings and associated land.

Based on this error, we requested that the Council perform a review of all school buildings to ensure no other significant events had occurred in the past which would put the reliability of the valuation of the asset into question.

We reviewed the revised assumptions used by the Council's estates team in valuing the land elements of some Council properties. We were satisfied that the revised assumptions were reasonable and consistently applied to the Council's land. However, when we considered the assumptions used by the Council to value the buildings sitting upon this land, we noted inconsistencies in the assumptions applied which undermined the validity of the resulting building valuations. This led to the Council being unable to justify the valuations of school buildings presented for audit in December 2016.

At this point, the Council engaged external valuers – Cushman & Wakefield, and Innes England to value the 'other land and buildings' property portfolio. The valuations were performed at 31 March 2017 and then at the advice of the valuers 'rolled back' to earlier years where appropriate using indexation.

These new valuations resulted in a significant change in the value of the assets which had previously been recorded in the financial statements of the Council at both 31 March 2016 and earlier years. Accounting standards require valuation changes resulting from changes in estimates to be recorded in the year that the estimation is changed. However, valuation changes resulting from the correction of a previous material error have to be adjusted in the previous year's statements of account. In conjunction with the Council, we concluded that the valuation changes were caused by the correction of previous material errors, and as a result, a prior period adjustment has been recorded in the statement of account.

We have used our EY valuation specialists to review the revised valuations, following up our original sample of assets, and increasing that sample to reflect the types and extent of errors found. We are now satisfied that the valuations recorded in the financial statements at 31 March 2016 are free from material misstatement.

We have followed up all of the issues previously raised, and discussed above, to ensure that the Council has appropriately corrected the accounts for these issues, and performed a thorough review to detect any similar issues which may have existed within the portfolio. Through the testing that we have performed, we are satisfied with the results of this work.

We are satisfied that the revised valuation assumptions used by the Council in valuing its land on a modern equivalent asset basis are less aggressive than initially observed.

The reconciliation of the SAM (Estates team asset database) and RAM (accounting fixed asset register) has highlighted assets which are recorded on SAM, but not on RAM. It is estimated that the value of these assets is in the region of £300k - £2.9m. The Council have committed to performing further work to bring these assets onto RAM at an appropriate value.

We have therefore included the £2.9m on our schedule of unadjusted audit differences (Appendix A), but do not propose that this is sufficient to warrant adjustment of the financial statements.

We have reviewed the method used by the Council to calculate the prior period adjustment to the valuations which flow back into the earlier years of account, testing the calculations in detail for the sampled assets referred to above. We noted a classification difference of £1,112k between years which has now been corrected by the client. We have therefore now concluded that the prior period adjustments are free from material misstatement.

Significant Risk: Risk of Management Override

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.

For Derby City Council we considered that this risk presented itself in:

- The risk of inappropriate capitalisation of revenue expenditure.
- The determination of accounting estimates.
- The posting of manual journals to the general ledger.

Audit procedures performed

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Reviewed accounting estimates for evidence of management bias, and
- Evaluated the business rationale for any significant unusual transactions.
- Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Assurance gained and issues arising

- **Inappropriate capitalisation of revenue expenditure**

We have performed substantive testing of both additions to Property, Plant and Equipment (PPE) in the year, and the existence of PPE capitalized in prior years.

Our existence testing identified £5.5m of parks and open spaces which did not exist. The Council have amended the financial statements to remove this balance. In selecting our samples for testing for valuation we selected material assets. All were found to exist. This therefore provides us with assurance that the £5.5m of parks was an isolated error and is unlikely to be representative of the population.

Taken together with the audit procedures we have performed over PPE, we believe that these errors were a result of poor maintenance of the asset register rather than deliberate management override of controls.

- **Determination of accounting estimates**

The discussion below excludes the estimates with respect to PPE valuation and Pensions valuation as these are discussed separately in the relevant sections of this report.

National Non-Domestic Rates Appeals Provision

The NNDR appeals provision was calculated by referencing the historic performance of successful appeals, the reduction in rateable value for these appeals and the length of backdating applied.

In the draft financial statements, the Council had calculated the value of the NNDR Appeals provision and EY raised a judgemental audit difference based on the work we performed. This was reported to the Audit and Accounts Committee in our September 2016 progress report.

Subsequent to the publication of the progress report, the Council have recalculated the NNDR Appeals provision and EY have performed audit procedures on the revised calculation. We are satisfied with the revised provision.

An adjustment of £424k has been recorded in the final statement of accounts (representing the difference between the doubtful debt provision in the draft accounts, and the doubtful debt provision to be posted in the final accounts).

Council Tax Doubtful Debt Provision

EY challenged the Council's collectability assumptions and reported a potential misstatement to the Audit and Accounts Committee in our September 2016 progress report.

Subsequent to the issue of our progress report, the Council revisited their assumptions to link them more closely with available data on actual recovery rates achieved by the Council.

We have reviewed the recalculated provision and believe the revised assumptions to be reasonable.

An adjustment to increase the doubtful debt provision of £1,306k has been recorded in the final statement of accounts (representing the difference between the doubtful debt provision in the draft accounts, and the doubtful debt provision to be posted in the final accounts). The Council's share of this was £875k.

NNDR Doubtful debt provision

EY challenged the Council's collectability assumptions and reported a potential misstatement to the Audit and Accounts Committee in our September 2016 progress report.

Subsequent to the issue of our progress report, the Council revisited their assumptions to link them more closely with available data on actual recovery rates achieved by the Council.

EY have reviewed the recalculated provision and believe the revised assumptions to be reasonable.

An adjustment to increase the doubtful debt provision of £436k which has been recorded in the final statement of accounts (representing the difference between the doubtful debt provision in the draft accounts, and the doubtful debt provision to be posted in the final accounts). The Council's share of this was £436k.

We have raised a control observation in respect of the Councils determination of accounting estimates, particularly debt provisions, in section 4.

Other Provisions

We have reviewed the 'other' provisions held by the Council at 31 March 2016 totalling £1.6mn and have found no evidence of management override.

Whilst errors were noted in our work on estimates which required adjustment in the statement of account, these errors primarily resulted from the Council's failure to robustly support/challenge the assumptions used in drawing up the accounts – instead of revisiting these assumptions using the most up to date evidence available to support them. We do not consider it to be the case that the results of our procedures have indicated any deliberate attempt by management to override controls in order to fraudulent manipulate the financial performance or position of the Council.

- **Appropriateness of journal entries recorded in the general ledger in relation to management override**

We have used our analytics tools to focus our testing on specific risk characteristics identified at the planning stage of our audit.

Our testing has not revealed any indicators of management override of controls.

In addition, due to the extended time and number/value of journals posted between preparation of the draft and final versions of the statement of accounts, we updated our journal entry testing to cover all journals covered in the period 1 April 2016 – 31 July 2017 into the 15/16 general ledger. No issues were noted as a result of this work.

Significant Risk: Risk of fraud in expenditure recognition

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

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

For Derby City Council we consider that this risk presents itself in other service expenses.

Audit procedures performed

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

- ► Performed unrecorded liabilities testing.

Assurance gained and issues arising

Various errors were found in our testing of creditors. These were caused by a variety of factors, many due to the weak control environment at the Council.

The majority of the errors noted have been adjusted by management in the final statement of account.

We considered the need to perform additional testing based on the nature and extent of errors detected as a result of our work but conclude that since most errors noted were small individually in value (less than our nominal amount) and most related to either a user posting error or as a result of the anticipated expenditure being accrued differing from the actual invoice amount when it arrived, a material error was unlikely to be detected from further testing.

Other Risk: Valuation of Pension scheme assets and liabilities

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

The pension liability is the most significant liability on the Council's balance sheet and is calculated through use of a number of actuarial assumptions. A small movement in these assumptions could have a material impact on the balance sheet.

Audit procedures performed

Our approach has focussed on:

- ► Reviewing the output of the report from the Administering Council's actuary
- ► Reviewing the assumptions used by the actuary to determine whether they are in our expected range
- ► Testing the journal entries for the pensions transactions to check that they have been accurately processed in the accounts

Assurance gained and issues arising

We have not identified any issues as a result of the work performed.

Other Risk: Equal pay provision

The Council's Equal Pay liability is a continuing challenge with £13mn included in the 2014/15 accounts which incorporated unpaid claims received to 31 March 2015 and an estimate of future claims. The timing of potential claims is dependent on the timing and volume of appeals lodged against the Council. There was a potential for an increase in claims after implementation of the revised Job Evaluation review, 1 June 2016.

Audit procedures performed

Our approach has focussed on:

- ► Review of claims received and settled in the financial year
- ► Challenge of the assumptions used by management when determining its estimate of future claims
- ► Review of any legal advice obtained by the Council with reference to the risks of

litigation posed by the implementation of the Job Evaluation review.

Assurance gained and issues arising

The equal pay provision at 31 March 2016 has been reduced to £280k.

This reduction has been made as the Council has received very few claims after its Job Evaluation Review was announced.

However, on 1 June 2016, Derby City Council implemented its job-evaluation scheme.

29 August 2016 was the cut-off date for equal pay claims and no further claims have been received.

Many employees accepted their new terms of employment, but the Council needed to dismiss and re-engage a minority of employees. This led UNISON to ballot its school-based members. Discontinuous strike activity started in the city’s schools on 16 June 2016.

The issue was eventually settled at a level of financial liability to the Council which does not require adjustment to the Statement of Account in respect of post balance sheet events.

Other Risk: Backdated Non-Domestic Rates claims by NHS Trusts

The sector is subject to an emerging issue with respect to NHS Trusts and Foundation Trusts lodging applications to their Local Authority to claim backdated relief on the Non-Domestic Rates paid.

The Council is in receipt of such applications.

The likelihood and value of any possible settlement is unknown, and due to the scale of the issue, is unlikely to be known for some considerable time as test cases are put before the Courts.

Audit procedures performed

Our approach has focussed on:

- Review of claims received by the Council
- Review of any legal advice obtained by the Council
- Challenging Management’s assessment of the likelihood of any claim being successful, and the resultant financial implication
- Review of the adequacy of disclosure within the financial statements.

Assurance gained and issues arising

The Council have signed up to a Local Government Association (LGA) initiative to fight these claims on a national level.

The Council has not included within its draft financial statements a provision in respect of this claim, nor disclosed the matter as a contingent liability. We agree with this treatment.

Other Risk: Private Finance Initiative (PFI) Arrangements

The Council has a number of assets held under PFI arrangements. Such arrangements are complex and substantial in value.

Audit procedures performed

Our approach has focussed on:

- Obtaining and documenting an understanding of the schemes
- Considering whether the scheme falls within IFRIC 12 and should be accounted for on

balance sheet

- ► Using our PFI specialists to consider whether the accounting model reflects the operator's model and produces reliable results for the financial statements
- ► Ensuring the outputs from the accounting model are correctly reflected in the financial statements, and relevant disclosures have been made

Assurance gained and issues arising

The Council has 5 PFI schemes (4 are recorded on the balance sheet, 1 is not).

We have reviewed the Council's rationale for the on/off balance sheet treatment and concur with the treatment adopted.

We have used our PFI specialist to perform a review of each of the schemes to obtain assurance that the schemes have been accounted for appropriately.

Our work in this area has revealed that the assumptions used in the PFI models used by the Council to calculate the liabilities arising under the PFI models were not in compliance with the CIPFA code and guidance notes.

The Council has posted a £6m prior period adjustment in the final statement of account with respect to the PFI schemes.

We have raised a control observation in respect of the Councils knowledge of the PFI operating models in section 4.

Other accounting and auditing issues

Our audit procedures have highlighted the following accounting and auditing issues which we feel are appropriate to bring to the attention of the Audit and Accounts Committee:

Heritage Assets

The financial statements show Heritage Assets at 31 March 2016 of £75.8mn. The Council's accounting policy states that '… all heritage assets are reported in the Balance Sheet at insurance valuation. These insurance valuations are reviewed by internal subject experts on an annual basis to reflect any changes for damage, authenticity or deterioration in condition.'

Observations

We requested evidence of expert review of the valuations assigned to the Council's heritage assets. We have been informed that the valuations for heritage assets included in the financial statements are in actual fact not reviewed by internal subject experts on an annual basis. In reality, the valuations have not been reviewed since the assets were first recorded on the balance sheet some seven years ago.

This is not in compliance with the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom which requires that 'where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure that the valuations remain current'.

We advised that the Council should instruct its internal subject matter experts to review the value of its heritage assets in line with the stated accounting policy, in order to confirm whether the valuations remain current.

The final statement of account includes a £371k adjustment to increase the value of Heritage Assets in line with the most recent insurance valuation.

Cash and Cash Equivalents

The final statement of account show a cash and cash equivalents balance at 31 March 2016 of £67.6mn.

Observations

We reported to the Audit and Accounts Committee in our September 2016 progress report our concern that the Council's processes for the management and control of the cash and bank balances are weak. Details of our observations and management's responses are included in section 4 of this report.

In the months which followed the publication of our September 2016 progress report, steps have been taken to address some of the control weaknesses noted. However, in our view progress has not been commensurate with the extent and severity of the issues noted. These issues were included in the statutory recommendations issued to the Council in June 2017.

Borrowings

The draft financial statements showed short term borrowings at 31 March 2016 of £3.2mn, and long term borrowings at that date of £338.7mn

Observations

The short term borrowings in the draft financial statements only included interest and not the capital repayment amount. The Council have taken out some annuity loans in 2015/16, which have principal repayments totalling £1,112k due in 2016/17. These should have been included in the short term borrowing total.

The Council have corrected this error in the final statement of account.

Borrowings

The Council has £20m of long term borrowing on lender option, borrower option (LOBO) terms with Royal Bank of Scotland.

Observations

We are aware that there is currently sector wide focus on such arrangements as several authorities have received objections to their accounts challenging the legality of such arrangements. We have considered the implications of this for Derby City Council.

We have reviewed legal advice and concluded that even if the LOBO were determined to be unlawful, the lender would likely have recourse back to the Council (and so in effect the Council would end up paying the funds back anyway). We therefore conclude that a decision that LOBOs are unlawful is unlikely to lead to a material adjustment to the liability due by the Council.

At 31 March 2016 the LOBO is classified as a long term liability (as was the case in the prior year). We therefore consider whether the risk of the LOBO being considered illegal results in a need to reclassify the loan to short-term at the balance sheet date.

Even if the Council had to repay the loans, they would have access to replacement (long term) loans at better rates in the market and therefore would be in a better rather than worse position.

Therefore based on the evidence we have at the time of signing our audit opinion (over one year after the balance sheet date), we do not believe that any adjustment is required to the financial statements. The LOBO is correctly classified as long term borrowing as in the 12 months following the balance sheet date there has been no objection made nor any other indication that the loan will have to be repaid any sooner than the contracted arrangement would dictate.

Tenants' Rents receivable and related provision

Tenants rents receivable were recorded in the draft financial statements at £4.3mn, with an associated doubtful debt provision of £2.8mn.

Tenants rents receivable are recorded in the final statement of account at £4.9mn, with an associated doubtful debt provision of £4.7mn.

Observations

We reported to the Committee in our September 2016 progress report that the Council had been unable to provide us with a schedule of the tenants making up the total balance outstanding at 31 March 2016.

Subsequently, the Council have reconstructed a listing of tenants rents receivable as at 31 March 2016. The final statement of account includes an adjustment to Tenants' Rents Receivable to reflect the reconstructed total.

Additionally, in reconstructing the Tenants' Rents Receivable listing, the Council realised that the previously determined doubtful debt provision was incomplete – including only rents receivable, not any related 'recoverable improvement works'. The final statement of account includes an adjustment to increase the doubtful debt provision against Tenants' Rents Receivable.

The additional work performed by the Council in response to the concerns raised in our September 2016 progress report has revealed that of the £4.9mn tenants rent receivable at 31 March 2016, only £200k (4%) is considered recoverable (compared to £1.5mn or 35% in the published draft financial statements).

Accounts receivable

Accounts receivable were recorded in the draft financial statements at £39.6mn.

Accounts receivable are recorded in the final statement of account at £36.7mn.

Observations

Our testing of the existence of accounts receivable revealed a number of errors. The reasons for the errors were varied. Examples include:

- Journal postings made the wrong way around (resulting in a £1.9mn overstatement of the receivable)

- An invoice received and paid after the 31 March 2016 being included in the 2015-16 accounts (overstating debtors and creditors by £1mn)

- Credit balances being netted off receivables rather than being reclassified to liabilities (understating receivables and payables by £433k)

We therefore took the approach, for each error found, of isolating the total population in which errors of that particular type might occur. The Council's finance team then performed work to search for similar errors. EY reviewed the work performed by the Council to gain assurance that the full extent of errors had been considered appropriately. This work resulted in several amendments to the statement of accounts, the majority of which were balance sheet reclassification errors.

We have raised a control observation in respect of the Councils control arrangements for journal posting and review in section 4.

Minimum Revenue Provision

Minimum Revenue Provision (MRP) is a statutory requirement to make a charge to the Council's General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities. The Council has set aside from revenue a minimum revenue provision of £10.9mn for the year ended 31 March 2016 (£12mn for the year ended 31 March 2015). During 2015/16 the Council has amended its approach to calculating the MRP. We have used our in-house MRP specialist to perform a review of the Council's amended approach to calculating MRP. This review involved an examination of the base calculation of the Capital Financing Requirement from the balance sheet, and a review of the Council model for MRP calculation to confirm that it was consistent with the Regulations. We have concluded that the MRP is not materially misstated.

We believe that the Council's approach to the application of a historical annuity rate to the post 2008 unsupported borrowing is inconsistent with the underlying "prudence" concept required by the prudential code, and results in MRP being deferred to future years, therefore understating the current year MRP provision. We note however, that because the Council has yet to review its MRP policy in full and obtain all the benefits available to it by backdating the changes to 1 April 2007, any understatement caused by the above issue would be more than offset by the reduced MRP charge that would arise from such a backdated review. Our understanding is that the Council intends to fully review its MRP policy (and back date the application) in the 2017/18 financial year.

Observations

We note that the approach that the Council uses to calculate its MRP is overly complex. We recommend that the Council simplify their approach to MRP to minimise the risk of error and make the process of calculating the provision more efficient.

Additionally, we reported to the Audit and Accounts Committee in our September 2016 progress report that the stated accounting policy for MRP was not what is actually being applied.

Management have updated the accounting policy in the final statement of accounts and we are now satisfied that this accurately describes the policy actually being implemented by the Council for the 15-16 financial year.

We have raised a control observation in respect of the Councils MRP calculation approach in section 4.

Consolidation of Derby Homes Limited

As we communicated in our Audit Plan, we have performed procedures to direct, oversee and conclude upon the work performed by BDO LLP as auditor of Derby Homes Limited in support of the group audit opinion. This has included the issuing of group instructions to BDO LLP, the receipt of formal reporting to

EY on conclusion of their planning work and final audit opinion, as well as direct verbal communication between EY and BDO LLP to discuss the extent of work performed on the balances of Derby Homes Limited which are consolidated in the Council's group accounts and any issues arising.

Observations

No significant issues have arisen as a result of the component auditor's audit procedures with respect to Derby Homes Limited.

On review of the consolidation of the accounts of Derby Homes Limited into the Group accounts of Derby City Council we noted an overall understatement of liabilities due by Derby City Council to Derby Homes Limited of £519k. This has been adjusted in the final statement of account.

Presentation and disclosure matters

The presentation and disclosure of items within the Councils financial statements is governed by statute, accounting standards, and the Code of Practice on Local Authority Accounting in the United Kingdom.

Observations

As reported to the Audit and Accounts Committee in our September 2016 progress report, we had highlighted to management a number of presentation and disclosure corrections to be made to the draft financial statements in order to comply with accounting standards, and the Code of Practice on Local Authority Accounting in the United Kingdom.

We are satisfied that all necessary disclosure amendments have been made in the final statement of accounts.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We wish to report the following matters:

- Annually the Head of Internal Audit is required to form an opinion on the adequacy and effectiveness of the Council's overall internal control environment. For the 2015/16 financial year the Head of Internal Audit's opinion is that 'there is an acceptable level of internal control within the Council's systems and procedures'. We disagree with this view, primarily for the following reasons:
    - The Council was unable to publish its draft statement of accounts for the year ended 31 March 2016 in line with the statutory deadline of 30 June 2016;
    - The Council has been the subject of a report in the public interest in the period and several matters discussed in the report are ongoing for at least part of 2015/16;
    - Significant and widespread control failings with respect to the management of the Councils fixed asset register (and associated valuations) have been identified as a result of the work that the Council's Estates team has been performing over the period June 2016 – March 2017.
    - The widespread instances of control weaknesses we have noted throughout our audit procedures; and
    - The significant issues that have been identified with respect to the Council's arrangements for securing value for money (as set out in section 5 of this report) and which lead to our adverse conclusion being drawn.
- Early in 2016 our IT specialists performed some limited procedures to assess the controls in place around access to the Capita system and change management to the system itself. This work identified a number of control weaknesses which has meant that we are unable to place any reliance on these systems when performing our audit procedures for 2015-16. Full details of the control weaknesses found are included in section 4 of this report. We note that several of these weaknesses were also reported to the Committee by our predecessor in their 31 March 2015 Audit Findings report.
- We have experienced significant delays in obtaining some supporting evidence for our testing. We believe that this has been caused, at least in part, by decentralisation of record keeping and the lack of individual accountability for the overall balances reported at the year-end date.
- A full set of reviewed working papers were not provided to us alongside the draft financial statements in July 2016.There is significant scope to improve the quality of working papers prepared by the Council in support of the draft financial statements.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix F. In addition to the standard representations, we have requested the following specific representations:

- Completeness, Existence and Valuation of PPE
- Rationale for calculations of Provisions:
  - National Non-Domestic Rates Appeals
  - Equal pay claims
  - HRA overpayments
  - Doubtful debts
- Support for the Share of liability to Derbyshire County Council debt charges on becoming a unitary authority

Narrative Statement and Annual Governance Statement

We reviewed the draft Narrative Statement and provided a number of amendments to management. These amendments have now been made.

The Council have issued several interim Annual Governance Statements over the period September 2016 – September 2017. We are satisfied that the information presented is not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Whole of Government Accounts

Alongside our work on the financial statements, we are also required to 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 are specified by the National Audit Office.

Due to the lateness of the final accounts for 2015/16, we have received confirmation from the National Audit Office that they do not require us to perform procedures regarding the Whole of Government Accounts submission.

4. Control themes and observations

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 we noted in our Audit Plan, our intention was to test the internal controls in place at the Council and place reliance upon them. However, our initial procedures to document and understand the processes and controls in place at the Council highlighted some control weaknesses which we felt it appropriate to communicate to the Audit Committee at that time – and these were included in our Audit Plan.

We have therefore adopted a fully substantive approach and have not tested the operation of controls. However, as our audit work has progressed we have identified a number of observations and improvement recommendations in relation to management's financial processes and controls.

The matters reported below 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.

As communicated in our Recommendations made under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014 issued to the Council 27 June 2017:

Issue	Action	Who	When
A. Property, Plant and Equipment			
1. There were no reconciliations performed between the SAM system (used by the Estates team) and the RAM system (used by the finance team). This meant that the Council was unable to satisfy itself that the assets recorded in the financial statements were complete, exist, owned by the Council, and valued appropriately. A reconciliation has now been performed at our request. **This reconciliation must be maintained going forward.**	**Agreed and accepted.** A formal process of review and reconciliation will continue on a quarterly basis. The reconciliation will be signed off by both system owners and evidence of review by senior managers documented. In the longer term an automated interface will be developed to eliminate the need for data transfers by spreadsheet between SAM and RAM.	MN JSW	Quarterly from June 2017 September 2017

	Moving forward, the reconciliation should be extended to include the Legal team to ensure all titles are matched to property assets, and a plan will be developed. See later notes on key reconciliation processes		September 2017
2. All valuations are performed manually using Microsoft Excel. The data from the Excel spreadsheet is then manually entered into the SAM/RAM systems. The use of Excel spreadsheets to calculate valuations and the manual transfer of data from the spreadsheets to the SAM/RAM systems increases the risk of calculation errors occurring through accidental amendments to spreadsheet formulae and data loss or error on manual transfer from Excel to SAM/RAM. We have seen evidence of poor control over the valuation models in Excel which leads to errors and inconsistency of approach. **The Council must put in place robust controls over the data within the Excel valuation models and the transfer of such data to the SAM/RAM systems**.	**Agreed and accepted.** The use of spreadsheets without appropriate quality assurance and development controls can lead to the creation of erroneous data entry. The relevant spreadsheet model will be reviewed to ensure it is supported by appropriate documentation which describes its operation and to determine whether control totals can be built it to sense check data entry. In future, formal valuations will be prepared by an independent expert to eliminate the need for internal calculations. A procurement exercise will commence in July 2017 and information will be available for 2017/18 accounts preparation In addition the Estates team will be more closely engaged with the finance team throughout year end planning to ensure effective quality assurance is applied to data submission. This will be evidenced through 2017/18 year end closure timetable and plan.	MN JSW JSW MT	August 2017 July 2017 Sept 2017

3. The Council obtains significant amounts of data to support the asset valuations made. However, the source of the data is not always clear, and the analysis of the data and how it has been applied to the resultant valuation is not clearly documented. There is a tendency to list comparable data without analysis as to the context and asset in question. With so many assets in similar geographic area, often a single list is applied to multiple assets without application to the specific asset in question. This means that asset valuations are difficult to review and challenge. **All asset valuations should be evidenced as reviewed by an appropriately qualified individual.**	**Agreed and accepted.** This a further example where effective quality assurance and review should enhance the quality of source data provided. The development of clear working paper standards is in progress and will be tested during the production of the 2016/17 statement of accounts. In future the Council will formally contract the services of an independent, expert to support the internal process. It should be noted that in respect of the 2015/16 valuation data, the relevant Strategic Director has documented the directorate's quality assurance review of base data. This included the implementation of standard templates to ensure consistency and transparency within the valuation process and comparability of data.	MT JSW	July 2017 September 2017
4. The Robust review and challenge of valuations has been difficult for the Authority to achieve. We note that there have been several changes made to staffing within the Council's Estates team since late 2015 in an attempt to address issues around the lack of dual sign-off for major asset valuations, the lack of peer review of valuations from a suitably qualified and experienced individual, and the lack of in-house experience of more technical aspects of asset valuation. **A stable robust staffing structure needs to be created and maintained within the Council's Estates team, supported, as deemed necessary, by the use of outside expertise.**	**Agreed and accepted.** Going forward, sufficient resource will be made available to ensure the Estates team are effectively supported by external expertise with the relevant technical knowledge. The current Estates team have worked hard to support the revised valuation process and are now deemed to be fit for purpose. Lessons have been learnt and in future the Estates Team will be more closely engaged within the planning process and timetables of the finance team and be	JSW MT	July 2017 September

	involved in training and awareness of any changed reporting requirements.		2017
5. There is no robust process in place to ensure that significant events giving rise to impairment or other significant change in valuation are appropriately considered in the valuation of PPE. This has meant that valuations are not updated on a timely basis to reflect significant events impacting on the valuation of assets. **The Council's close-down process for the preparation of the annual statement of accounts needs to include provision for the documented review of indicators of impairment**	**Agreed and accepted.** This activity is fundamental requirement within the production of the statement of accounts and will be reinforced in future years. The use of the CIPFA checklist provides an effective control to ensure all aspects of the "code" are considered in the preparation of the accounts.	MN	For 2016/17 accounts
6. Asset lives are not reassessed on a timely basis. Our audit procedures found that assets that had a 1 year life span at beginning of period were not assessed for a new useful life where capital additions had been made, and so fully depreciated in the year. The value of these additions and depreciation is £4.9m. Failure to reassess asset lives on a timely basis leads to: · · Depreciation charges at risk of misstatement, · Inaccurate information used for maintenance/capital replacement programs, and insurance needs. **The Council's close-down process for the preparation of the annual statement of accounts needs to include provision for the documented review of asset lives**	**Agreed and accepted.** Again, the review of asset lives is a fundamental requirement in the preparation of the annual accounts and this process will be built into future year end planning processes commencing with 2016/17 accounts. The use of the CIPFA checklist provides an effective control to ensure all aspects of the "code" are considered in the preparation of the accounts and this will form part of the working papers to support the accounts.	MN	For 2016/17 accounts
7. A significant proportion of PPE additions relates to 'Eureka fees', effectively the capitalisation of management time to	**Agreed and accepted** The capitalisation of "internal" project management costs	MT	Initial review in

projects. The rates used are not formally approved and the amounts logged in the spreadsheet for eureka fees did not reconcile to the general ledger. **Capitalisation rates should receive formal approval and there should be evidence of review and approval by the Service Directors for the amount of capitalized spend at the end of each financial year.**	should be reviewed on a project by project basis to ensure the appropriate charges are reflected in both revenue and capital costs. A review of the process, scope and control of the capitalisation of internal costs will be undertaken to develop a more structured and transparent policy and appropriate working papers prepared to evidence management review and approval	NG MT MN	July 2017 Update financial regs in Autumn 2017
8. No reconciliation between the fixed asset register and the general ledger takes place throughout the year – everything is done at the year end. This puts significant pressure of the limited resource in the finance team to close and reconcile the PPE balances. This increases the risk that the Council is unable to meet the statutory deadline for preparation of its statement of accounts. **Management should consider processing addition/disposal transactions throughout the year, and undertaking asset valuations at an earlier point to enable sufficient time for transactions to be processed and reviewed to ensure quality of financial reporting is maintained**.	**Agreed and accepted.** Best practice, issued by CIPFA some years ago, indicated that balance sheet management was as important as revenue management. The finance team resource is directed to revenue management but will be revised to ensure capital monitoring within directorates have equal focus. This will ensure that capital expenditure is identified and accounted for on a more timely basis. In addition future year end planning will seek to accelerate the asset valuation process will be complete by December and capital accounting completed in February in advance of the year end.	MT MT	Re-focus Finance Team Summer 2017 September 2017
7. The use of indexation to approximate asset valuation movements is a blunt instrument and difficult to justify when individual asset valuations are challenged. **Indexation should only be used as a tool to revalue assets when the indexation basis can be demonstrated to be directly relevant to the assets to which it is being applied.**	**Agreed and accepted**. To support the use of indexation, in respect of certain asset categories, an appropriate rationale will be provided in order for the basis to be both understood and constructively challenged. Where the use of indexation is expected to be significant, an early meeting with yourselves will be programmed into the year end timetable to ensure a consensus of approach.	JSW MN	Update for 2016/17 accounts

8. Assets had multiple lines in the asset register due to componentisation of individual assets. The value was not appropriately apportioned between the various individual line items in the asset register and caused uncertainty as to which assets were included in the valuation. This issue, coupled with weaknesses in the SAM to RAM reconciliations above, increases the risk that the valuation of PPE recorded in the financial statements will be materially misstated. **The valuation provided by the Council's valuers should be agreed to the total value recorded in the fixed asset register for the particular asset subject to valuation.**	**Agreed and accepted**. Where assets have separate components in the asset register, revised valuation estimates will be fully reflected against the entire asset. To enhance the process, and evidence action, a separate working paper will be developed to document componentised assets to demonstrate that valuation estimates have been properly accounted for.	MN	August 2017
9. Descriptions of assets were not clear due to historical capturing of the capital expenditure. This resulted in certain assets being written off in the asset register as a result of not being verified. Assets to the value of £5.5.million relating to parks could be not verified and was written down. **The Council should ensure that all capital expenditure is appropriately described in the asset register, and matched to the relevant existing asset (where applicable).**	**Agreed and accepted** It is clear that there are weaknesses in the financial accounting and monitoring processes regarding the identification and recording of capital expenditure. Planned changes in the structure and focus of the finance team should support the resolution of this matter and progress will be monitored to ensure the improvement is delivered.	MT	Finance team restructure Summer 2017
10. Timelines were not appropriately set, adhered to and monitored to ensure that adequate review time was set for working papers across departments. **The Council needs to ensure that a detailed project plan is in place for preparation of the statutory financial statements and an individual is given responsibility for ensuring that all departments adhere to the quality and timing requirements contained therein.**	**Agreed and accepted** The year end planning process will be refined to ensure that a clear timetable, resource and responsibility plan is prepared well in advance of year end. The revised process will include guidance on working paper standards and quality assurance and evidenced review of information supporting key account balances	MT	July 2017

B. Cash and Bank Balances			
The Council has insufficient oversight of the cash management function and this should be addressed as a matter of priority. We have noted several concerns with respect to the record keeping and financial controls in place around the management and recording of cash balances. The Council should put in place the following recommendations: · **Cash in hand balances should be reconciled at the year-end date, or for school balances; where school holidays fall over the year-end date, as near to it as practicable.** · **All cash/bank accounts should be reconciled, regardless of value.** · **Reconciling items should be cleared in a timely manner.** · **Evidence should be presented with the cash and bank reconciliations to enable the reviewer to be satisfied that the reconciliation has been performed correctly and to an appropriate quality.** · **All cash/bank reconciliations should be subject to a detailed review. This detailed review should be evidenced on the working paper.** · **A high level review and challenge of balances in the cash/bank accounts should be performed on a monthly basis such that the Council understands the reasons for significant movements.**	The control framework around cash and bank balances is in the process of being completely reviewed and re-designed to ensure effective and timely reconciliation processes are in place. A schedule of key reconciliations and timescales will be developed to ensure key balances are fully reconciled and reflected in ledger at an appropriate time (daily/weekly/monthly/annually) A "monthly control review" of reconciliations and challenge of unreconciled items will be performed by the relevant Head of Finance All reconciliations will be subject to review by the DofF on a monthly basis starting with month end reconciliations as at the end of May 2017 Evidence of review and actions required will be maintained throughout the year on a monthly basis.	TN TN TN MT TN	Monthly from May 2017 June 2017 June 2017 Monthly from June 2017 Monthly form June 2017
C. Record keeping and reconciliations to the general ledger			
1. Reconciliation between Council Tax and NNDR System and the General Ledger: No reconciliations have been performed between the Council Tax/NNDR system and the general ledger throughout the	**Agreed and accepted** The effective reconciliation between the general ledger and these two key income streams will be prepared on a monthly basis and form part of the "monthly control	TN	Monthly from May 2017

year. **The Council should reconcile these feeder systems to the General Ledger on a monthly basis, clearly setting out the reason/source of reconciling differences by way of working papers to support the reconciliation. The reconciliation should be subject to a detailed review, and evidenced as having received such.**	review" process. Reconciliations will be prepared, reviewed and challenged to ensure the correct information is reflected in the accounting records.	MT	June 2017
2. Reconciliation between Tenants Rental Income Ledger and the General Ledger: No reconciliations have been performed between the Tenants Rent system and the general ledger throughout the year. **The Council should reconcile these feeder systems to the General Ledger on a monthly basis, clearly setting out the reason/source of reconciling differences by way of working papers to support the reconciliation. The reconciliation should be subject to a detailed review, and evidenced as having received such.**	**Agreed and accepted** The effective reconciliation between the general ledger and these two key income streams will be prepared on a monthly basis and form part of the "monthly control review" process. Reconciliations will be prepared, reviewed and challenged to ensure the correct information is reflected in the accounting records.	TN MT	Monthly form May 2107 June 2017
3. We have observed several instances of control failure and poor practice with respect to record keeping which appears to have been caused by a lack of appropriately experienced resource, and effective supervision and review. Examples include: · Failure to determine NNDR write-offs (In 2014/15 NNDR Debt Write Offs were £1.4m. For 2015/16write-offs have	**Agreed and accepted** The Council's Financial Regulations provide guidance as to how debt write-offs should be managed, reported and authorised. The disciplines required by the Financial Regulations will be reinforced and a monthly review of NNDR debt and Tenants' rent debts will be established between the Head of Revenues and Benefits and the	JM MT	Start end of 1st qtr 2017

been £200k). We have been told that this is due to a shortage of staff able to perform this exercise. · Lack of understanding/challenge of provisions made against Tenants Rents receivable · Accounts receivable and Accounts payable reconciliations have not been performed on a monthly basis throughout the audit period. **The Council should put in place the following recommendations**: · **The Council should put into place procedures to ensure that write-offs are identified, approved and actioned on a timely basis.** · **Where provision is made with respect to receivables balances, this should be done based on a documented and reviewed approach, taking into account all relevant data and assumptions.** · **Further, the Council should be reconciling all sub-ledgers to the general ledger on a monthly basis and ensuring that reconciling items are appropriately dealt with, and in a timely manner.**	Director of Finance. Following the completion of the 2015/16 and 2016/17 accounts a review of provisioning policy will be performed In addition, the Financial Regulations will be subject to review to ensure they reflect best practice and are relevant within the context of the Council's £220m net budget. **See response to reconciliations and general ledger controls above**	MT TN MT JB	By October 2017 By September 2017
4. Role transition, accountability and review/support without appropriate handover: We have noted several instances where resource changes in the year have occurred, but the required amount of handover has not been performed. This has led to individuals being unclear as to the requirements of the role, and despite their	Agreed and accepted		

best efforts, being unable to respond to audit enquiries. **The Council needs to ensure that there is a sufficiently robust process for role transition in place, together with sufficient cross-working arrangements to enable appropriate levels of support and coaching to individuals new to roles.**			
5. Lack of accountability of individual service teams: Our audit procedures revealed examples of service teams providing information to the corporate accounting team for inclusion in the year-end financial statements which is delivered either late, without proper review, or both. For example, the schedule of accumulated absences provided to the Corporate accounting team by HR was so inaccurate that they were unable to use the data and instead resorted to re-using the prior year data as an approximation to current year. **The Council needs to put in place a process to ensure that data inputs to the statutory accounts closedown process are provided in accordance with specifications discussed and agreed in advance with service contributors, and with sufficient time for review and challenge by the finance team.**	**Agreed and accepted** Effective planning for year end is critical to prepare timely, accurate and robust annual accounts. A revised planning process has been developed and is being applied to the 2016/17 accounts to minimise omissions and inaccuracies. For the 2017/18 year end, planning will commence in September 2017 to ensure Estates are fully engaged. This will be rolled out across the council in December 2017 to ensure all relevant services are aware of the roles and responsibilities and the timescales to be met to support an effective and efficient closedown. Once 2015/16 and 2016/17 accounts are prepared an internal post implementation review will be conducted to identify all issues which impacted the accounts production and lessons learnt documented to future-proof future year end accounts closures.	MT MN MT HofF MT HofF	September 2017 December 2017 October 2017

The following control observations were raised early on in the audit process and have subsequently been resolved:

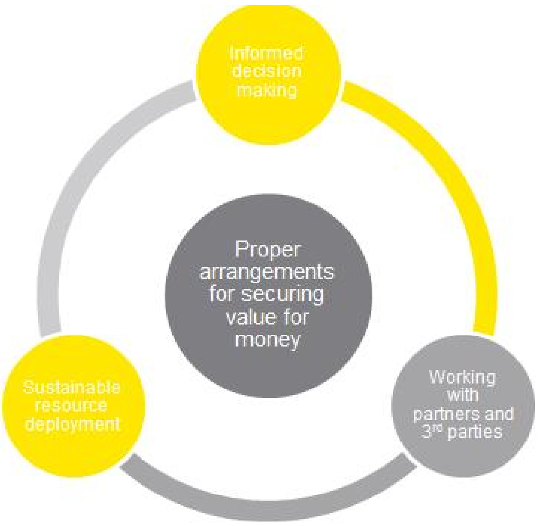
Observation description	Impact narrative	Management response
IT systems		
Administrator rights are granted to business users End users on the application are assigned security permissions to perform functions on the application. The security permission is assigned specific application programs to perform certain tasks. The application program 'sy3010' is required by the system administrator to create and modify user accounts on the application. This program is assigned to security permissions 'SY Batch Scheduler' and 'SY Password reset'. These permissions have been assigned to 44 users. We understand business users were previously responsible for resetting their own passwords if the user account was locked hence this access. In addition business users would also be responsible for setting up adhoc schedule jobs to perform transactions on the system.	If segregation of duties is not established between business and IT functions, there is an increased risk of a user deliberately or accidentally creating or amending user accounts to have system access greater than required for that user's role and responsibilities.	*Addressed – Admin permissions for password resets have already been removed.*

System supplier has access to develop and deploy changes The system supplier has continued remote access to the production environment which allows them to develop and implement changes on the application both functional and data changes. There is no periodic monitoring performed to ensure the suppliers access is valid each time they access the production environment.	A lack of segregation of duties within the change management process without an effective monitoring control could result in unauthorised changes being released into production that go unnoticed by management. These changes could impact the functionality of the system and/or the integrity of data used by management for financial statement reporting purposes.	*Addressed – New monthly script put in place to list all updates by supplier login. A script is run every month, the most recent being 1 March and this was reviewed and signed off on 15 March.*
Periodic user access review not retained A bi-annual review is performed by management to assess whether permissions granted to users are appropriate. However, we identified the following: 1. No evidence of management sign-off is retained to confirm the review had taken place. 2. Privileged access is not included in the review. 3. The review is performed by management (Head of Service) who also has access to administer accounts on the application.	The absence of controls to periodically review and monitor the appropriateness of end user and particularly privileged user access increases the risk that this access does not remain commensurate with the user's job role. This could lead to unauthorised access and changes being made to financially significant applications, which may compromise the integrity or confidentiality of data used for financial reporting and management's decision making	A formal procedure was put in place in November 2016. A user acess rights review was last carried out by business managers on 23rd February 2017. A further review was generated on 14th March 2017 and is awaiting review. Details and dates are retained on a shared network drive.

	purposes.	
Weak password parameters Single sign on (SSO) authentication is in use; as such we identified the following findings on the network: 1. Account lockout attempts are set to 10. 2. Account lockout duration is set to 15 minutes.	Inadequate password settings can result in password security being compromised and therefore increasing the risk of unauthorised access to financially significant data.	*DCC have applied the guidance contained in Password guidance: simplifying your approach published on 8 September 2015.* *https://www.gov.uk/government/publications/password-policy-simplifying-your-approach/password-policy-executive-summary*
New user process does not define access requirements The access required on the application for a new joiner is not explicitly documented in the access template or the service ticket.	There is a risk that unnecessary and/or inappropriate user access rights will be granted to the system user which can be used to compromise the integrity and confidentiality of the financially significant data.	As part of the periodic user access review, the access rights listing that is now supplied to business managers also sets out which users are in which security groups and what permissions are assigned to each security group.
Other observations		
Several general ledger accounts marked by the council as petty cash or cash floats should be made obsolete as have no movement passing through them.	Excess general ledger accounts increases the risk of fraud and erroneous journal postings.	A Review of the TB format and content has been completed and obsolete codes moved.

Difference between the general ledger and the trial balance The trial balance is a report which summarises the closing balances of all accounts in the general ledger. We have noted a difference between the general ledger and the trial balance for the 'Surplus/Deficit on the provision of services'. The value on the trial balance shows £32,146,000 however the value in the general ledger shows £31,268,000. We have traced all individual items which make up the total 'Surplus/Deficit on the provision of services' on the trial balance to the general ledger and not found any exceptions. In addition, we have reviewed the general ledger for items not appearing on the trial balance, and again have not found any exceptions. We therefore believe that this issue is likely to have been caused by an addition error within the general ledger in Oracle.	There is no obvious reason why the trial balance should show a balance which does not agree to the general ledger. Management should investigate and resolve this issue as a matter of priority.	The discrepancy is limited to the total of one high level parent even though all lower parent and transaction are complete. This is a result of the parent code not updating for changes in the trial balance structure when queries are run direct from Oracle. As the detail within Oracle, reporting from Oracle and from the Council's reporting tool OBI are all correct it is unlikely that this discrepancy can cause any issues. A solution was identified on 26 September 2016 which updates the parent balances and corrects the issue.

5. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

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

- ► Take informed decisions;
- ► Deploy resources in a sustainable manner; and
- ► Work with partners and other third parties.

Significant risks

As reported to you in our Audit Plan, we identified two significant risks in relation to these arrangements:

Proper arrangements for sustainable resource deployment

- ► Proper arrangements for sustainable resource deployment involve planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- ► At the start of the 2015/16 financial year the Council did not have a sustainable Medium Term Financial Plan (MTFP).
- ► A MTFP was drawn up early on in 2015/16 and that revealed a shortfall of revenue to the order of £16mn by 2018/19. This shortfall was made public, and the Council engaged in a dialogue with Central Government on how to address the issues faced.
- ► Following the Autumn 2015 spending review, the Council revisited the MTFP and were able to construct a balanced 3 year budget. This budget was approved by full Council in February 2016.
- ► The absence of a sustainable MTFP for the majority of the 2015/16 financial year under audit presents a significant risk to our value for money conclusion.

Proper arrangements for informed decision making

- ► The Council is expected to act in the public interest, through demonstrating and applying the principles and values of sound governance.
- ► The Council has exhibited weaknesses in its Governance arrangements. These were primarily disclosed in the 13/14 annual governance statement, and again in the 14/15 annual governance statement.

- Investigations into historical claims of governance failings continue and the journey to good governance at Derby is ongoing.
- We therefore consider that this presents a significant risk to our value for money conclusion.

Subsequent to the issuance of our Audit Plan we identified the following additional significant risks with respect to our value for money conclusion:

- Speed of progress of the development of a Council's corporate risk strategy and strategic risk register.
- The significant issues experienced by the Council with respect to the valuation of its property, plant and equipment.
- The Council's management of the arrangement with Central Midland Audit Partnership (CMAP) in delivering a robust internal audit function.

We have performed the procedures outlined in our audit plan and identified the following significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Area of focus:	
Informed decision making	The absence of a MFTP for the majority of the year leads us to conclude that the Council does not have proper arrangements in place to ensure informed decision making. There was no corporate risk strategy in place that covered 2015/16. The draft strategic risk register went to Chief Officer Group in November 2015 as a working copy for them to comment on. It was agreed that a clearer definition of the risk appetite was needed. Furthermore, the public interest report issued by Grant Thornton in June 2016 made several recommendations with respect to issues continuing in the 2015/16 financial year which are relevant to the Council's arrangements for ensuring informed decision making, including: Review of project procurement and monitoring systems to ensure that appropriate decisions are made regarding externally commissioned services Ensure continued monitoring of Member interventions in operational matters relating to taxi licencing Review the quality of decision making by the taxi licencing committee Reinforce the need for officers to observe the Council's contract procedure rules. In addition, in year the Council received a whistle-blowing allegation with respect to the valuation processes and practices being used by the in-house Estates team. This has led to a significant exercise being undertaken by the Council to review and reperform asset valuations. Two members of staff have had their employment with the Council terminated. EY have involved our valuations experts. Our testing has revealed numerous issues with respect to the completeness of the asset register, the existence of assets on the register, the valuation techniques/assumptions being used, and the data management with respect to the fixed asset register entries and the valuations determined by the valuers. This has led us to conclude that the Council does not have proper arrangements in place in order to make informed decisions with respect to PPE. Maintaining a sound system of internal control Whilst performing our audit procedures we found that some of the basic financial controls were not working as expected. For example, the regular completion and review of reconciliations was not timely (or in some cases not performed at all). This increases the risk of fraud or errors remaining undetected. We specifically note the risk of fraud referred to above which arises as a result of the Council not having historic records which show at month/year end a detailed breakdown of Tenant's rents owed by property/individual and the weak control environment noted around the management of cash which presents an opportunity for fraud with respect to rental income from Council tenants.
Sustainable resource	Since the Council have not had a MFTP in place throughout the entire period under audit, this demonstrates that they have not planned finances effectively over the entire year

deployment	under review in order to effectively support the sustainable delivery of strategic priorities and maintain statutory functions.
Working with partners and other third parties	We believe that the Council has not worked effectively with the Central Midlands Audit Partnership to deliver a robust internal audit function. Reporting to the Audit and Accounts Committee by internal audit is superficial, we have not seen evidence of Officers being held to account for issues highlighted in internal audit reports but not addressed in a timely manner, nor evidence of challenge where risks are considered 'acceptable' by Officers.

Overall conclusion

We conclude that you have not put in place proper arrangements to secure value for money in your use of resources.

Other matters to bring to you attention

We noted the following issues as part of our audit.

Insurance

Insurance over the Council's assets

Concerns have been raised throughout the 2015/16 financial year as to the level of insurance cover over the Council's assets.

In July 2016 a recommendation was taken to Cabinet that external temporary quantity surveyors be engaged to carry out a program of insurance valuations on Council properties.

Appropriate levels of insurance in respect of the Councils assets is a relevant factor when considering whether proper arrangements are in place to secure sustainable resource deployment. We therefore encourage the Council to ensure that a process is put in place such that when the aforementioned program of insurance valuations comes to a conclusion, those valuations can be appropriately maintained going forward.

Grant Thornton's Public Interest Report

In June 2016 Grant Thornton, the Council's previous external auditor, issued a report in the public interest.

Since publication of the report we have met on several occasions with both the Senior Management team at the Council, and the Cabinet Member with responsibility for Governance to review the Council's progress against the action plan which was put in place following the publication of Grant Thornton's Public Interest Report.

We have monitored the progress made with respect to the various referrals to the Standards Committee which were made immediately following the publication of the report, including having discussions with the independent legal team investigating the allegations. We are satisfied that the matters referred to the Standards Committee relate to historical issues and do not pose a risk to our 2015-16 value for money conclusion.

It is important that the progress being achieved continues to be monitored and challenged to ensure that the matters raised in the Public Interest Report are unable to recur. In our view, the Audit and Accounts Committee plays a particularly important role and have a significant responsibility in this regard.

Appendix A – Uncorrected audit differences

The following differences, which are greater than £346k, have been identified during the course of our audit and have not been considered material by management or by us for adjustments. We are bringing them to the Committee's attention to enable you for form your own view on these items.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Property, Plant & Equipment / Revaluation reserve	2,900	
Assets identified on estates system (SAM), not included on RAM and disclosed in the accounts, PPE understated between £0.93m to £2.9m		
Revenue		(218)
Accounts receivable – local authorities	(218)	
Overstatement of receivables from other local authorities which are in dispute.		
Revenue		(295)
Accounts receivable	(295)	
Extrapolated error based on results of our audit testing		
Housing Revenue Account	86	
Tenants rents receivable	(86)	
Overstatement of the correction to the Tenants Rents receivable balance		
Cumulative effect of unadjusted differences	2,387	(513)

Appendix B – Corrected audit differences

The following corrected differences have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Additionally, the Council has corrected many audit differences arising out of our audit work on the valuation of Property, Plant and Equipment, and the accounting for the PFI schemes, and the subsequent work which the Council have performed to reassess the valuation of these assets/liabilities. This has had the following impact:

Account heading	Value in draft Statement of Account (July 2016) £'000	Value in final statement of Account (September 2017) £'000	Movement £'000
Property, Plant and Equipment	1,497,954	1,150,254	347,700 decrease
Long term finance lease liabilities	92,593	99,203	6,610 increase

More detail on the causes of these movements and the impact on the prior period accounts is disclosed in note 1 to the final statement of accounts. Due to the sheer volume of adjustments made, we have not listed these separately here.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £'000	Comprehensive income and expenditure statement (Decrease) / Increase £'000
Heritage assets	371	
Revaluation reserve	(371)	
To increase the value of Heritage Assets		
Sundry debtors	1,915	
NHS debtors	(1,915)	
Correction of late cash postings.		
Sundry debtors	194	
Creditors	(196)	

Revenue	2	
Correction to teachers' pensions liability.		
Sundry creditors	1,061	
Debtors	(1,061)	
Correction of an error relating to a Derby Museum invoice dated and paid after the year end date.		
Capital	183	
Sundry creditors	(183)	
Underaccrual of Morgan Sindall - Network Rail Invoice.		
Creditors	119	
Public health expenditure		119
Correction of an accrual made for an invoice already paid.		
Creditors	380	
Expenditure		380
Correction of a salary overpayments accrual.		
Creditor	150	
Debtor	(150)	
Correction of duplicate invoice posting		
Creditors	434	
Public health expenditure		434
Correction of an accrual raised in error for public health services already paid for.		
Capital	195	
Creditors	(195)	
Under accrual of Kitchen and Bathrooms creditor - Derby Homes		
Capital	251	
Housing general fund		(73)

Sundry creditors	(324)	
To correct the difference between accruals in Derby City Council's accounts compared to Derby Homes Limited		
Capital grants		(3,962)
Revenue grants		3,962
To correct revenue funding grant incorrectly treated as Capital Grant received in the year.		
Long term liabilities	1,256	
Short term liabilities	(1,256)	
Receivables	117	
Long term debtors	(117)	
To correct the amounts recorded in respect of the transferred debt debtors and creditors.		
Collection Fund	424	
Provisions	(424)	
Increase in National Non-Domestic Rates appeals provision		
Collection fund	1,306	
Provision	(1,306)	
Increase in Council Tax doubtful debts provision		
Collection fund	436	
Provision	(436)	
Increase in NNDR doubtful debts provision		
Tenants rents receivable	(1,300)	
Revenue – Housing		(1,300)
To correct tenants rents receivable and associated doubtful debt provision		
VPE – Derecognition Other	4,660	
VPE – Derecognition Other	(4,660)	
To correct disposals recorded in the incorrect year		

Income		905
Expenditure		(905)
To correct entries made in relation to the GASH accounts		
Public Health Income		1,089
Public Health Expenditure		(1,089)
To correct entries made in relation to Public Health		
Fees, Charges & Other Service Income		371
Grant Income		(371)
To correct entries made resulting in the understatement of grant income		
Employee Expenses		338
Fees, Charges and Other Service Income		(338)
To correct the employee costs incorrectly classified		
Fees, Charges and Other Service Income		43
Other Service Expenditure		(43)
To correct overstatement of revenue as a result of entries made in relation to free school meals		
Capital Adjustment Account - 2013/14	1,112	
Movement in Reserves Statement	(1,112)	
Comprehensive income and expenditure		1,112
Revaluation Reserve	(1,112)	
Movement in Reserves Statement – 2014/15	1,112	
Comprehensive income and expenditure		(1,112)
Revaluation Reserve	1,112	
Capital Adjustment Account	(1,112)	
Accounting errors noted on PPA - split of charge to CAA between 2013/14 and 2014/15		

Capital Adjustment Account - 2014/15	93	
Movement in Reserves Statement	(93)	
Comprehensive income and expenditure		93
PPE depreciation	(93)	
PPE Depreciation - 2013/14	93	
Comprehensive income and expenditure		(93)
Movement in Reserves Statement	93	
Capital Adjustment Account	(93)	
Error noted on Prior Period Adjustment - split of PPE depreciation between 2013/14 and 2014/15		
Property, Plant and Equipment	(2,220)	
Long term Borrowing	2,220	
Overstatement of Property, Plant and Equipment and LT Borrowing due to DCC not adjusting Derby Homes Limited 14/15 figures for audit adjustment identified in 15/16 accounts/ISA260 from BDO LLP.		
Note 10 - financing and investments income		52
Note 11 - taxation and non-specific grant income		(52)
PFI - journals incorrectly posted.		
Revaluation Reserve	(97)	
Capital Adjustment Account	97	
Error noted on PPA - to derecognise Voluntary Aided Schools land		
Creditors that are not financial instruments	948	
Financial liabilities at amortised cost	(948)	
Incorrect split of financial and non-financial liabilities		
Sundry Debtors	1,902	
NHS Debtors	(1,902)	
Incorrect Classification of NHS and Sundry debtors in short term debtors		

NHS Creditors	553	
Other service expenditure		553
Derbyshire Foundation Trust Expenditure Double Counted		
Prepayments	433	
Creditors	(433)	
Understatement of debtors and creditors - NNDR Prepayments on account		
Housing General Fund CIES		(73)
Capital Council Dwellings Additions	446	
Sundry creditors	(519)	
Under-accrual of Derby City Council creditors related to Derby Homes Limited identified from intercompany review		
Short term debtors - other local authorities	117	
Long Term Debtors - Derbyshire County Council	(117)	
Incorrect classification of Short term debt portion of transferred debt - Derbyshire County Council		

Disclosures

Disclosure	Description of difference
Financial instruments – short term/long term classification of borrowing	£1.113mn of 2016/17 principal repayments of PWLB Borrowing has been reclassified from long term to short term borrowings in the final statement of account.
Finance leases – Council as lessor	This disclosure was omitted from the draft statement of accounts on the grounds of materiality. This disclosure has been appropriately included in the final statement of account.
Various	Several other disclosure errors were noted in our review of the draft financial statements. These have been corrected in the final statement of account.

Appendix C – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 23 March 2016.

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

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 19 September 2017.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 23 March 2016.

Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final fee 2015/16 £	Scale fee 2015/16 £	Variation comments
Total audit fee – code work	400,000*	142,553	Increased fee reflects the extent of rework required to audit 3 draft Statements of Account, and extensive use of valuations specialists.
Certification of claims and returns:			
· Housing Benefit Certification	20,846	20,846	
· Pooling of Housing Capital Receipts	3,500	N/A	
· Teachers' Pension Certification	5,500	N/A	

* subject to PSAA approval.

Appendix E – Draft audit report

Independent auditor's report to the members of Derby City Council

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERBY CITY COUNCIL

Opinion on Derby City Council's financial statements

We have audited the financial statements of Derby City Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- [Authority and Group] Movement in Reserves Statement,
- [Authority and Group] Comprehensive Income and Expenditure Statement,
- [Authority and Group] Balance Sheet,
- [Authority and Group] Cash Flow Statement,
- [Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes 1 to [x]

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Derby City 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 Derby City Council and Derby City Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the [*Chief Financial Officer*] and auditor

As explained more fully in the Statement of the [*Chief Financial Officer's*] Responsibilities set out on pages [...], the [*Chief Financial Officer*] is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the [*Chief Financial Officer*]; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the [name of the document that the financial statements are published in e.g., Statement of Accounts 2015/16] to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Derby City Council and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the [name of the document that the financial statements are published in e.g., Statement of Accounts 2015/16] for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following matters:

- 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

In respect of the following we have matters to report by exception:

- Matters were reported in the Public Interest

On 23 June 2016 our predecessor, Grant Thornton LLP issued a report in the public interest under section 8 of the Audit Commission Act 1998 in relation to identified failures of governance at Derby City Council in the management of major projects and in relation to Member conduct.

- Written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act

On 27 June 2017 we made written recommendations to Derby City Council under Section 24 of the Local Audit and Accountability Act.

Conclusion on Derby City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the [name of body] had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Derby City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for Adverse Conclusion

- Medium Term Financial Planning and strategic risk management

At the start of the financial year ended 31 March 2016, Derby City Council did not have a sustainable Medium Term Financial Plan (MTFP). Following the Autumn 2015 spending review, the Council revisited the MTFP and were able to construct a balanced 3 year budget. This budget was approved by full Council in February 2016.

The absence of a sustainable MTFP for the majority of the year ended 31 March 2016 together with the continued absence of a corporate risk strategy and risk register is evidence of weaknesses in proper arrangements for informed decision making and planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

- Completeness, Existence and Valuation of Property, Plant and Equipment (PPE).

The Council received a whistleblowing allegation with respect to its valuation processes in the year which has led to a significant exercise being undertaken to review the Council's entire PPE portfolio to assess its completeness, existence and valuation and significant adjustment being required to the asset valuations previously reported. This provides evidence of weaknesses in proper arrangements for informed decision making.

- Governance issues and management of major projects

Derby City Council was the subject of a public interest report issued by Grant Thornton in June 2016 in relation to identified failures of governance at Derby City Council in the management of major projects and in relation to Member conduct.

The recommendations made in the public interest report are evidence of weaknesses in proper arrangements for informed decision making.

- Maintaining a sound system of internal control

We found that some of the basic financial controls were not working as expected, for example, the regular completion and review of reconciliations was not timely. This increases the risk of fraud or errors remaining undetected and provides evidence of weaknesses in proper arrangements for informed decision making.

- Working with third parties effectively to deliver strategic priorities

Our observation is that the Council has not worked effectively with the Central Midlands Audit Partnership to deliver a robust internal audit function throughout the 2015-16 financial year. Reporting to the Audit and Accounts Committee by internal audit is superficial, we have not seen evidence of Officers being held to account for issues highlighted in internal audit reports but not addressed in a timely manner, nor evidence of challenge where risks are considered ‘acceptable’ by Officers.

Adverse conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are not satisfied that, in all significant respects, Derby City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certification of completion of the audit

We certify that we have completed the audit of the accounts of [*name of Authority*] in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Stephen Clark (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Birmingham

Date

Appendix F – Management representation letter

[To be prepared on the entity's letterhead]

19 September 2017

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

Dear Stephen,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Derby City Council ("the Group and Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Derby City Council as of 31 March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for the Group and Council that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.

3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the consolidated or council financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the consolidated or council financial statements.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Council, and Audit and Accounts committee through the year to the most recent meeting on 28 July 2017.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation

and claims, both actual and contingent, and have disclosed in Note 39 to the consolidated and council financial statements all guarantees that we have given to third parties.

4. The claim by Unison has been settled for the total sum of £1m which we believe is not sufficiently material to warrant accrual or disclosure in the consolidated and council financial statements. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Comparative information – corresponding financial information

1. Restatement of Land and Building Values

During the 2015/16 financial year the basis and methodologies employed for valuing the Councils assets have been reviewed. As a result of this process the Council has established that a more appropriate basis should be used to value elements of the land of some Council properties. These properties are predominantly schools which are valued on a modern equivalent replacement basis. Upon review of these assets along with external valuers Cushman and Wakefields the methodology and basis for estimating land values, notional building values, notional building size, rebuild costs and remaining lives have been refined.

Applying the change in valuation has resulted in a net revaluation loss of (£232.005m) in 2014/15. The financial statements have been restated for consistency and to enable comparison between years.

2. Capital Corrections

During the 2015/16 audit of the statement of accounts a number of errors regarding the treatment of assets were identified, including:

- Derecognition of assets in the wrong financial year
- Undervaluation of the Assembly Rooms carpark

- Impairment of the Assembly Rooms recognised in the wrong financial year.
- Park Equipment assets were not being depreciated.
- Correction of valuations for Derby Moor School and Ivy House.
- The timing of writing out accumulated depreciation on Council Dwellings has been changed to match the year of revaluation.

Applying these changes has resulted in a net revaluation loss of (£32.113m) in 2014/15.

3. Data Cleansing

The 2015/16 audit of the draft statement of accounts also highlighted a number of discrepancies between the data held on the asset register and the valuations system. The impact of these adjustments in 2014/15 is a net revaluation loss of (£17.18m).

4. PFI

The accounts have also been restated for changes relating to the timing of recognition of long term PFI liabilities.

The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's consolidated and council financial statements.

K. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and council financial statements.

3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note *[X]* to the consolidated and council financial statements, we have no other line of credit arrangements.

L. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

M. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss.

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

N. Use of the Work of Specialists

1. Asset Valuations:

   We agree with the findings of the specialists that we engaged to value the Council's Property, Plant and Equipment, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

2. Financial instrument valuations:

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

O. Estimates

National Non-Domestic Rates Appeals Provision

1. We confirm that the significant assumptions used in making the National Non-Domestic Rates (NNDR) appeals provision appropriately reflect our expectation of the likely financial exposure from NNDR appeals.

2. We confirm that no adjustments are required to the NNDR appeals provision estimate and disclosures in the consolidated and council financial statements due to subsequent events.

Doubtful Debt Provisions

1. We believe that the measurement processes, including related assumptions used in making the:

   · General bad debt provision;

   · Tenants rent bad debt provision;

   · Council Tax bad debt provision;

   · NNDR bad debt provision; and

- HRA overpayments provision

Appropriately reflect our ability to recover the related receivables outstanding at 31 March 2016.

2. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

P. Retirement benefits

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

Q. Liability to Derbyshire County Council debt charges on becoming a unitary authority

1. When Derby City Council became a unitary authority, it was agreed that a percentage of the total Derbyshire County Council debt outstanding at 31 March 1997 would be deemed to be Derby City Council debt. Derby City Council pay debt charges to Derbyshire County Council in respect of this debt.

Evidence of this agreement is very poor and the accounting treatment being adopted by Derby City Council relates to a subsequent renegotiation which is not documented.

We are satisfied that the balances recorded in the financial statements for the year ended 31 March 2016 are in line with the de facto agreement operating between Derbyshire County Council and Derby City Council.

Yours faithfully,

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Interim Director of Finance and Section 151 Officer

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Chairman of the Audit Committee

Appendix G – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit 0. Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures 1. Significant difficulties, if any, encountered during the audit 2. Significant matters, if any, arising from the audit that were discussed with management 3. Written representations that we are seeking 4. Expected modifications to the audit report 5. Other matters if any, significant to the oversight of the financial reporting process 6. Findings and issues regarding the opening balance on initial audits	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: 7. Whether the events or conditions constitute a material uncertainty 8. Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements 9. The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually of in aggregate, that indicated there could be doubt about Derby City Council's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements 10. Uncorrected misstatements and their effect on our audit opinion 11. The effect of uncorrected misstatements related to prior periods 12. A request that any uncorrected misstatement be corrected 13. In writing, corrected misstatements that are significant	Audit Results Report
Fraud 14. Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity 15. Any fraud that we have identified or information we have obtained that indicates that a fraud may exist 16. A discussion of any other matters related to fraud	We have made enquiries of management. We have not becaome aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: 17. Non-disclosure by management 18. Inappropriate authorisation and approval of transactions 19. Disagreement over disclosures 20. Non-compliance with laws and regulations 21. Difficulty in identifying the party that ultimately controls the entity	We have no matters we wish to report.

Required communication	Reference
External confirmations 22. Management's refusal for us to request confirmations 23. Inability to obtain relevant and reliable audit evidence from other procedures	We have received all requested confirmations.
Consideration of laws and regulations 24. Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off 25. Enquiry of the audit 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 committee may be aware of	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: 26. The principal threats 27. Safeguards adopted and their effectiveness 28. An overall assessment of threats and safeguards 29. Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Group audits 30. An overview of the type of work to be performed on the financial information of the components 31. An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components 32. Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work 33. Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted 34. Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Plan Audit Results Report
Fee Information Breakdown of fee information at the agreement of the initial audit plan Breakdown of fee information at the completion of the audit	Audit Plan Audit Results Report
Certification work 35. Summary of certification work undertaken	Certification Report

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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