

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

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2018 issued on 8 August 2018 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Derby City Council as at 31 March 2018 and of its expenditure and income for the year then ended;
- gave a true and fair view of the financial position of the Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Issue of adverse value for money conclusion

In our audit report for the year ended 31 March 2018 issued on 8 August 2018 we reported an adverse value for money conclusion in the following terms:

Basis for adverse conclusion

- Medium Term Financial Planning and strategic risk management

Derby City Council has not had a corporate risk strategy in place for the full 2017-18 financial year. The Risk Management Strategy and Handbook was approved by the Audit and Accounts Committee in March 2018. The Strategic Risk Register was also reviewed and refreshed in March 2018.

The continued absence of a corporate risk strategy and risk register throughout the majority of the 2017-18 financial year leads us to conclude that the Council does not have proper arrangements in place to ensure informed decision making.

The Council have not had a robust MTFP in place throughout the year ended 31 March 2018, with identified savings and sensitivity analysis performed. This demonstrates that the Council has not planned finances effectively over the entire year under review in order to effectively support the sustainable delivery of strategic priorities and maintain statutory functions.

- Governance issues and member/officer relations

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.

In June 2017, the Local Government Association undertook a 'Corporate Peer Challenge' review at Derby City Council and raised similar concerns in respect of member/officer relations.

The recommendations made in the public interest report and repeated in the LGA review 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. In July 2017 we issued a statutory written recommendation to the Council with respect to these issues.

- 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 2017-18 financial year. There has been poor relationships between the Council and the Internal audit function at times throughout the year which has reduced the assurance that the Council is able to obtain from the internal audit function. This provides evidence of weaknesses in proper arrangements for working with third parties effectively to deliver strategic priorities.

- Management of A52 Junction improvement scheme

The original estimated total scheme cost within the Council's capital programme was £14.906m. In March 2018, Cabinet approved £2.157m, within the Highways and Transport programme, to fund the delivery of ancillary works to the main A52 junction improvement scheme – taking the total planned spend to £17.063m. Subsequently it became apparent that there were significant previously undisclosed overspends on the project. This provides evidence of weaknesses in proper arrangements for informed decision making.

Adverse conclusion

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in August 2017, 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 2018.

Certificate

In our report dated 8 August 2018, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

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

Stephen Clark
Ernst and Young LLP

Stephen Clark (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
6 September 2018

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