

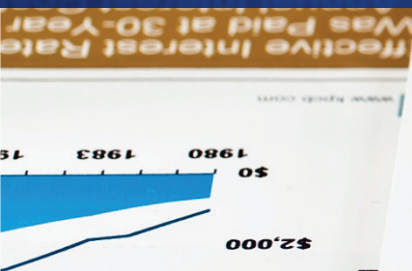


cutting through complexity™

Annual Audit Letter 2012/13

Bolsover District Council

October 2013



The contacts at KPMG in connection with this report are:

Sue Sunderland

Director

KPMG LLP (UK)

Tel: 0115 945 4490

sue.sunderland@kpmg.co.uk

Paul Hutchings

Manager

KPMG LLP (UK)

Tel: 0115 945 4472

paul.hutchings@kpmg.co.uk

Report sections

- Headlines

Page

2

Appendices

1. Key issues and recommendations
2. Summary of reports issued
3. Audit fees

4

6

7

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sue Sunderland, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises the key findings from our 2012/13 audit of Bolsover District Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.

| | |
|------------------------------|---|
| <p>VFM conclusion</p> | <p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 25 September 2013.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p> <p>The Authority has addressed a number of significant weaknesses that led to a qualified VFM conclusion last year but further work is needed to address contract management weaknesses.</p> |
| <p>VFM risk areas</p> | <p>We identified a number of significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> ■ Budgetary control – there were significant weaknesses in budgetary control arrangements and a lack of ownership of responsibility within service departments in the previous year (2011/12). The Authority has improved its budgetary control arrangements this year. Key changes included strengthened budget virement processes and better budget preparation arrangements. ■ Contracts – there were significant financial control weaknesses around the governance and management of contracts in the previous year (2011/12). Both management and internal audit have contributed to the development and implementation of improved contract arrangements. However, further work is required particularly with framework contract arrangements to fully address weaknesses (Appendix 1). ■ Option appraisal - weaknesses in initial option appraisal and risk management arrangements that significantly affect the ability of the Authority to demonstrate value for money (VFM). During 2012/13, various joint Strategic Alliance service reviews have included considering and appraising alternative options for the delivery of services. ■ Information – insufficient progress was made in the previous year (2011/12) to improve the quality of performance data and information including that reported to the Department for Communities and Local Government (DCLG). The Authority introduced stronger review and approval checks in 2012/13 designed to improve the quality of data. ■ Savings – the Authority has a balanced budget for 2013/14 and Officers of the Council are confident that the full level of savings will be secured by the year end. Looking forward significant budget shortfalls during the next two financial years require £1.6m of savings to be made. The Authority is aware of these shortfalls and intends to develop savings plans to address these. The financial outlook remains challenging and the Authority must continue to develop, implement and monitor savings plans. |

We provide a summary of our key recommendations in Appendix 1.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

| | |
|-------------------------------|---|
| Audit opinion | We issued an unqualified opinion on your financial statements on 25 September 2013. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. |
| Financial statements audit | <p>The Council has continued to improve its accounts preparation processes such that the financial statements and working papers presented for audit this year were of a good standard.</p> <p>Management brought to our attention at the start of the financial statements audit two material classification errors affecting the Comprehensive Income and Expenditure Statement. These errors had no impact on the Authority's overall expenditure on services or general fund reserves.</p> <p>Although the Authority's statements were reviewed by management before submission for audit these classification errors were not detected. In our view the timeliness and operation of existing management review procedures should be further improved (Appendix 1).</p> |
| Annual Governance Statement | We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding. |
| Whole of Government Accounts | We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements. |
| High priority recommendations | <p>We raised two high priority recommendations as a result of our 2012/13 audit work. These are detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up these recommendations as part of our 2013/14 work.</p> <ul style="list-style-type: none"> ■ Financial statements – improve the timeliness and operation of existing management review procedures over the unaudited financial statements; and ■ Contract arrangements - address remaining control weaknesses related to the governance and management of contracts. |
| Certificate | <p>We issued our certificate on 25 September 2013.</p> <p>The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p> |
| Audit fee | Our fee for 2012/13 was £64,980, excluding VAT which was the same as the planned fee for the year. This is a reduction of 40 percent compared to the 2011/12 base fee. |

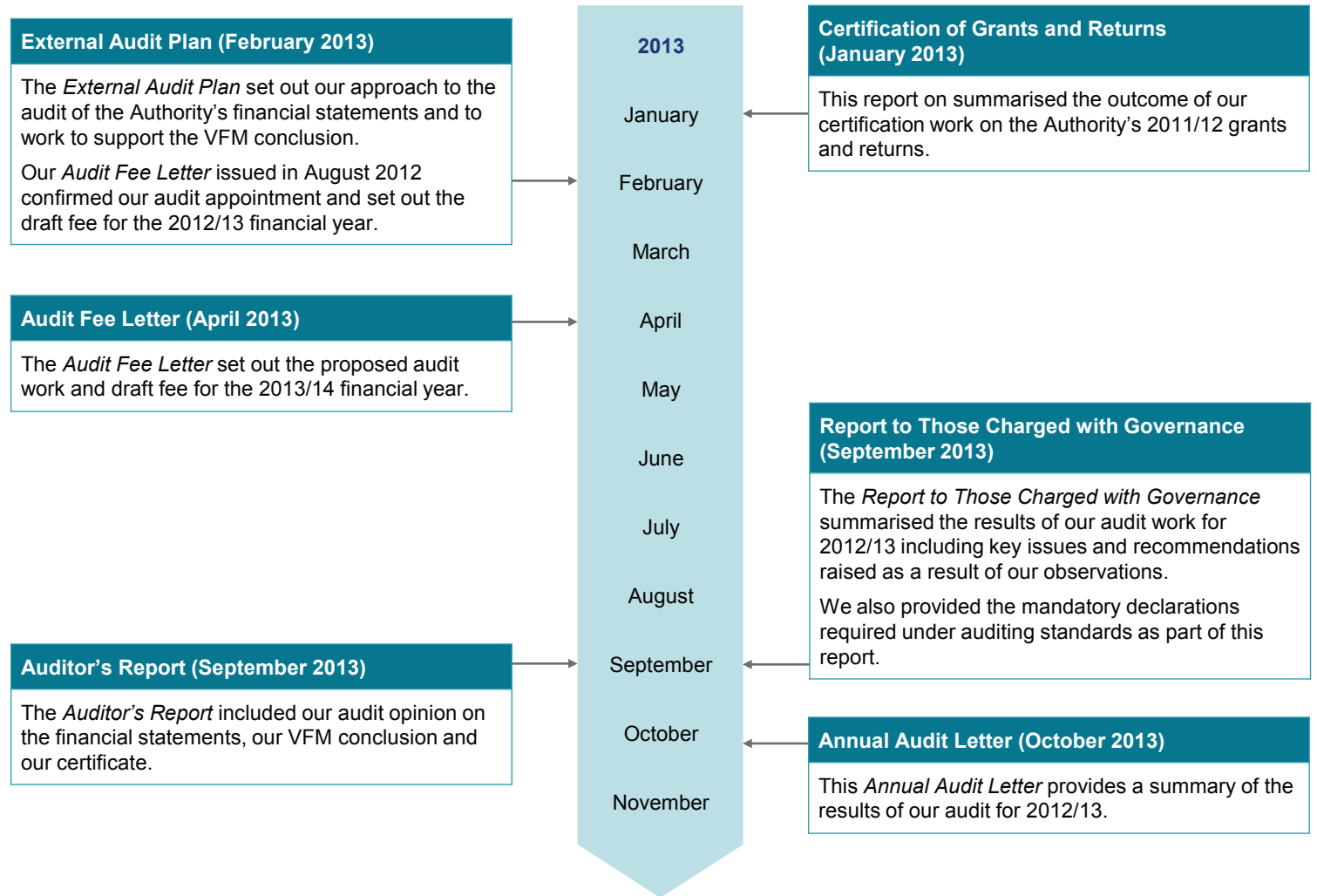
This appendix summarises the high priority recommendations that we identified during our 2012/13 audit, along with your responses to them.

| No. | Issue and recommendation | Management response/ responsible officer/ due date |
|-----|---|---|
| 1 | <p>Review of draft accounts</p> <p>Issue</p> <p>Management brought to our attention at the start of the year end audit material classification errors (both income and expenditure) within the Cost of Services in the Comprehensive Income and Expenditure Statement.</p> <p>Although the Authority's financial reporting process includes management review of the draft accounts, the above misclassifications were not detected.</p> <p>Recommendation</p> <p>Improve the timeliness and operation of existing management review procedures over the draft accounts.</p> | <p>Response</p> <p>The final accounts timetable allocated sufficient time to review and check the Statement of Accounts (SOA) for 2012/13. Detailed reviews and checks were carried out by the Chief Accountant, the Assistant Director of Corporate Resources (Finance and ICT) and the Director. Unfortunately, this error, reported by management to the External Auditor, was not spotted until the SOA had been passed to KPMG (28 June 2013).</p> <p>In order to try to prevent this type of error happening in the future we shall draft a set of validation checks to compare the gross income and gross expenditure columns for each line of the Comprehensive Income and Expenditure statement to the same lines for the previous financial year. Any lines showing a significant percentage difference will trigger a validation check alert within our SOA documents.</p> <p>Officer Responsible:</p> <p>The Chief Accountant will set up and test these validation checks ready for the 2013/14 final accounts. This will be during February 2014 when the 2013/14 SOA template is prepared.</p> |

| No. | Issue and recommendation | Management response/ responsible officer/ due date |
|-----------------|--|--|
| <p>2</p> | <p>Contract arrangements</p> <p>Issue</p> <p>The Authority has made good progress in addressing the significant control weaknesses around the governance and management of contracts.</p> <p>However, we understand that internal audit has found that weaknesses remain particularly in relation to framework contract agreements.</p> <p>Recommendation</p> <p>Address all remaining control weaknesses around the governance and management of contracts. Carry out a further internal audit follow up review to provide assurance that these have been addressed in full.</p> | <p>Response</p> <p>All issues identified within the Internal Audit report will be addressed at the earliest possible opportunity, with progress reported back to the December 2013 meeting of the Audit Committee to confirm compliance. Further training will be provided in the Autumn of 2013 as part of a planned training programme for all managers during October / November 2013.</p> <p>The move to a new Procurement Service will be used as an opportunity to review and challenge our current procurement arrangements. A set of “procurement clinics” attended by a procurement expert from the Nottingham and Derby Procurement Unit have already commenced where officers may “drop in” to seek advice and guidance on all procurement issues and plans are being developed to deliver further training.</p> <p>Officer Responsible:</p> <p>The Director of Corporate Resources will ensure that the recommendations made within the Audit Report are fully addressed and reported back to the December 2013 Audit Committee.</p> |

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since November 2012 when we were appointed as the Authority's auditor.



This appendix provides information on our final fees for 2012/13.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

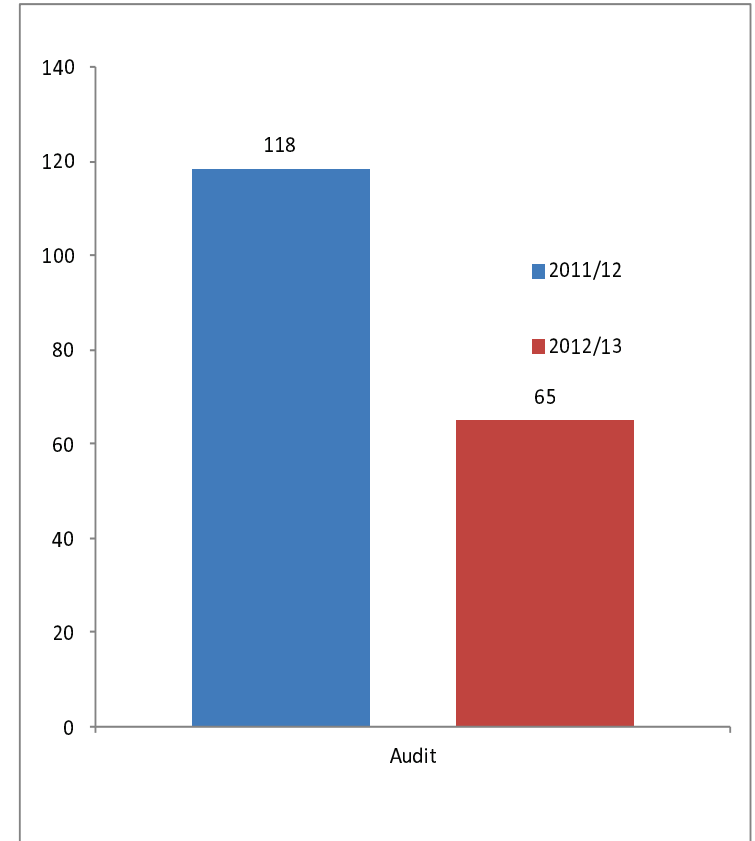
Our final fee for the 2012/13 audit of the Authority was £64,980. This is an overall reduction of 45 percent on the comparative total fee for 2011/12 of £118,420. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

The final fee compares to a planned fee of £64,980.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.

External audit fees 2012/13 (£'000)





cutting through complexity™

© 2013 KPMG LLP, a UK public limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).