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# Report to those charged with governance (ISA 260) 2013/14

Bolsover District Council

September 2014





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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](http://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](mailto: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, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.



## Section one Introduction

### This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

### Scope of this report

This report summarises the key findings arising from:

- our audit work at Bolsover District Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

### Financial statements

Our *External Audit Plan 2013/14*, presented to you in April 2014, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and August / September 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

### VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

### Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

### Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.



## Section two Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

<b>Proposed audit opinion</b>	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
<b>Audit adjustments</b>	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund. We have raised recommendations arising from our work in Appendix 1.
<b>Accounts production and audit process</b>	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.
<b>Control environment</b>	The Authority's organisational control environment is generally effective overall but we note that Internal Audit's recent review of contract procurement arrangements whilst identifying improvements in control also identified ongoing weaknesses that need to be addressed.
<b>Completion</b>	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
<b>VFM conclusion and risk areas</b>	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.



## Section three Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

### Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by Members on 18 September 2014.

### Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements. We identified a small number of issues that have been adjusted by management. We also agreed that you should include a non adjusting post balance sheet event note to recognise the completion of the sale of the Sherwood Lodge site in August 2014.

In common with many local authorities, the Authority has put through a prior year adjustment to reflect changes in the international accounting standard IAS19 Employee Benefits. Strict application of accounting standards say that a prior year adjustment should only be made if there is a change in accounting policy or results in material amendments. The amendment is not material and is not a change in the Authority's accounting policy, and therefore the amendment should not have been made. As the amendment is not material, we have not sought amendment to the accounts. We have accepted the Authority's explanation that it chose to make the amendment in order that users of the accounts are aware of what had changed from previous year.

### Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.



## Section three Key financial statements audit risks


We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in April 2014, we identified the key risk affecting the Authority's 2013/14 financial statements. We have now completed our testing of this area and set out our evaluation following our substantive work.

The table below sets out our detailed findings for the risk that is specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.


Key audit risk	Issue	Findings
	<p>During the year, the Local Government Pension Scheme for Derbyshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Derbyshire County Council who administer the Pension Fund.</p>	<p>As part of our audit, we agreed the data provided to the actuary back to the systems and reports from which it was derived, and tested the accuracy of this data.</p> <p>We liaised with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf.</p> <p>There are no issues to report.</p>



### Section three

## Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
	Our 2012/13 ISA 260 Governance report included a recommendation following the detection by management of material misclassification errors in the accounts. Management agreed to set up validation checks to detect such errors. Failure to implement this additional control could result in additional audit work being required at an additional audit fee.	We reviewed the implementation of validation checks and confirmed these were operating effectively at the year end.



## Section three Accounts production and audit process

We have noted that quality of the accounts and the supporting working papers remain at a good standard.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented one of the two recommendations in our ISA 260 Report 2012/13.

### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	<p>The Authority has continued to provide accounts which are of a good standard and which are supported by good quality working papers.</p> <p>The Authority can secure improvements to its accounting practices by adopting a more thorough and robust approach to the calculation of the business rate appeal provision. More detail can be found in the recommendation at Appendix 1.</p>
<b>Completeness of draft accounts</b>	<p>We received a complete set of draft accounts on 30 June 2014.</p>
<b>Quality of supporting working papers</b>	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 3 March 2014 and discussed with Chief Accountant, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided was good and met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
<b>Response to audit queries</b>	<p>Officers resolved audit queries in a reasonable time.</p>

### Other specific issues

#### NNDR additional work

On 1 April 2013 a new system of business rate retention began. Some of the national guidance relating to the changed requirements was late in being issued.

This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.

We reviewed the Authority's accounting treatment for business rates and found this to be in line with CIPFA guidance.

This work was additional to our original audit plan but is common issue across all local authorities. We are currently in discussion with the Audit Commission about how this additional work is to be funded but may result in a small additional audit fee.

#### Prior year recommendations

As part of our audit we have reviewed last years ISA 260 report. There were two specific recommendations that required follow up this year. The recommendation in respect of improving the operation of management review procedures has been implemented.

The recommendation in respect of contract arrangements is considered in more detail on page 12.





## Section three Control environment

The Authority's organisation and control environment is generally effective.

During March 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

### Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We have assessed your IT environment for our own purposes and we have no issues to report.

### Working with Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We have reviewed internal audit's reports throughout the year to inform ourselves of any significant risks in relation to our opinion work. However, there have been no specific instances during the course of the year where we have sought to rely on the work of internal audit.

### Controls over key systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of your internal auditors, and our own work on controls over the year end process, the controls over the financial systems are generally sound.

However, a recent draft report by Internal audit on contract arrangements concludes that whilst improvements in control continue they have also identified ongoing weaknesses which still need to be addressed.



## Section three Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

### Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Bolsover District Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Bolsover District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

### Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Section 151 Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

### Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

### Work completed

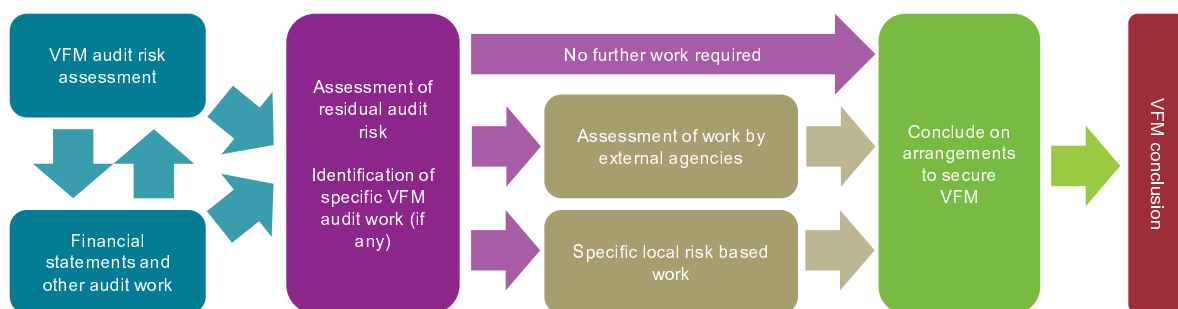
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following page includes further details of our risk assessment..

### Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



We have identified a single specific VFM risk.

We are satisfied that internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area is adequate.

**Work completed**

In line with the risk-based approach set out on the previous page, and in our Audit Plan we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and

- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

**Key findings**


Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>As at February 2014, the Authority was forecasting that it would deliver £0.884m of planned savings and generate a £0.248m surplus at the end of 2013/14.</p> <p>Looking ahead, the Authority's Medium Term Financial Plan 2014/15 to 2016/17 (MTFP) published in February 2014 includes a balanced budget for 2014/15. This assumes the Authority will identify, implement and deliver savings proposals totaling £0.447m.</p> <p>There are further substantial savings requirements in the following two financial years rising to £0.973m in 2015/16 and then falling to £0.800m in 2016/17.</p> <p>Against a backlog of reduced funding and continued demand pressures it will become increasingly difficult to deliver savings in a way that secures long term financial and operational sustainability.</p> <p>There is a risk that action taken by the Authority in response to weaknesses is insufficient or not timely.</p> <p>Link to VFM conclusion – this is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>The Authority delivered its planned savings in 2013-14 and as a result, the general fund reserve increased in the year by £0.257m to £1.7m. This represents an improved financial position for the Council. However, the current level of balances needs to be set against the background of ongoing reductions in the level of Government funding. Against this background, it is crucial that the Authority continues to maintain robust budgetary control whilst securing its ongoing savings targets.</p> <p>Looking forward, the current budget for 2014-15 shows the savings target has reduced from £0.447m to £0.233m as a result of securing budget savings of £0.214m in the first quarter of the year. The Authority currently anticipates delivery of the full savings target during 2014-15.</p> <p>The Executive Director – Operations has reported the need to achieve a minimum level of £2.2m of savings over the period of the current Medium term Financial Plan in his update report to the Council on 10 September 2014. The financial position of the Authority therefore remains challenging.</p>

We have identified a single specific VFM risk.

We are satisfied that internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area is adequate.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>Control weaknesses around governance and management of contracts, particularly in relation to framework contract agreements, present a risk to the Authority's VFM conclusion.</p> <p>The Director of Corporate Resources has agreed to ensure that all recommendations made within the 2012/13 ISA 260 report are fully addressed.</p>	<p>Internal audit are currently completing a follow up audit on procurement practices.</p> <p>In relation to framework contract agreements a small sample have been reviewed and no control weaknesses were identified in respect of these types of contracts.</p> <p>However, in terms of procurement practices as a whole, Internal Audit have initially concluded that whilst there has been an improvement in procurement practices overall, a number of areas have been identified for further improvement.</p> <p>The draft report is still being discussed but the Authority should respond promptly to any internal audit recommendations to deliver further improvements and reduce the level of risk to the Authority.</p> <p><b>Recommendation</b>  Respond promptly to any Internal Audit recommendations to address remaining control weaknesses in this area.</p>



## Appendices

### Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

#### Priority rating for recommendations

**1 Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

**2 Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

**3 Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p><b>NNDR (Business Rate) Appeals</b></p> <p>For the first time in 2013/14 the Authority has been required to include a provision in it's accounts in respect of business rate appeals. Our work has confirmed that this provision has been calculated appropriately. However, enquiries made of the Authority identified that no consideration had been given to the potential for other ratepayers to lodge an appeal when calculating the likely provision.</p> <p><b>Recommendation</b></p> <p>It is recommended that the Authority should assess their ratepayers on an annual basis to consider whether appeals may be made and provide accordingly.</p>	<p>The recommendation is accepted and the Chief Accountant will ensure that in future financial years the provision taken within the Statement of Accounts is agreed in the light of formal consideration of the potential for other ratepayers to lodge an appeal. Officers have reviewed the position adopted in respect of the 2013/14 accounts in the light of this consideration and do not consider that the provision would have been materially different if this approach had been adopted in the calculation of the provision. It should be noted that a number of other authorities adopted a similar approach in the first year of the new system which in Management's view reflected a lack of clarity in the guidance issued by national bodies.</p>
2	2	<p><b>Contract arrangements</b></p> <p>Internal Audit's recent review confirms that progress continues to be made in improving contract procurement arrangements. However, weaknesses continue to be identified and ongoing action is required.</p> <p><b>Recommendation</b></p> <p>Respond promptly to any Internal Audit recommendations to address remaining control weaknesses in this area.</p>	<p>The Council has continued to work to ensure appropriate contract arrangements are in place. In particular we have ensure that appropriate expertise is available by entering into new shared service arrangements from April 2014 for procurement. All senior managers have been required to attend a training session including a significant element covering procurement. An additional emphasis will be placed upon procurement issues at the Quarterly Finance, Risk and Performance meetings. All internal audit recommendations will be implemented.</p>



## Appendices

### Appendix 2: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

#### Requirements

Auditors appointed by the Audit Commission must comply with the Code of Audit Practice (the 'Code') which states that:

*"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing Guidance for Local Government Auditors ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

#### General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.



## Appendices

### Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

#### Auditor declaration

In relation to the audit of the financial statements of Bolsover District Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Bolsover District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.





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