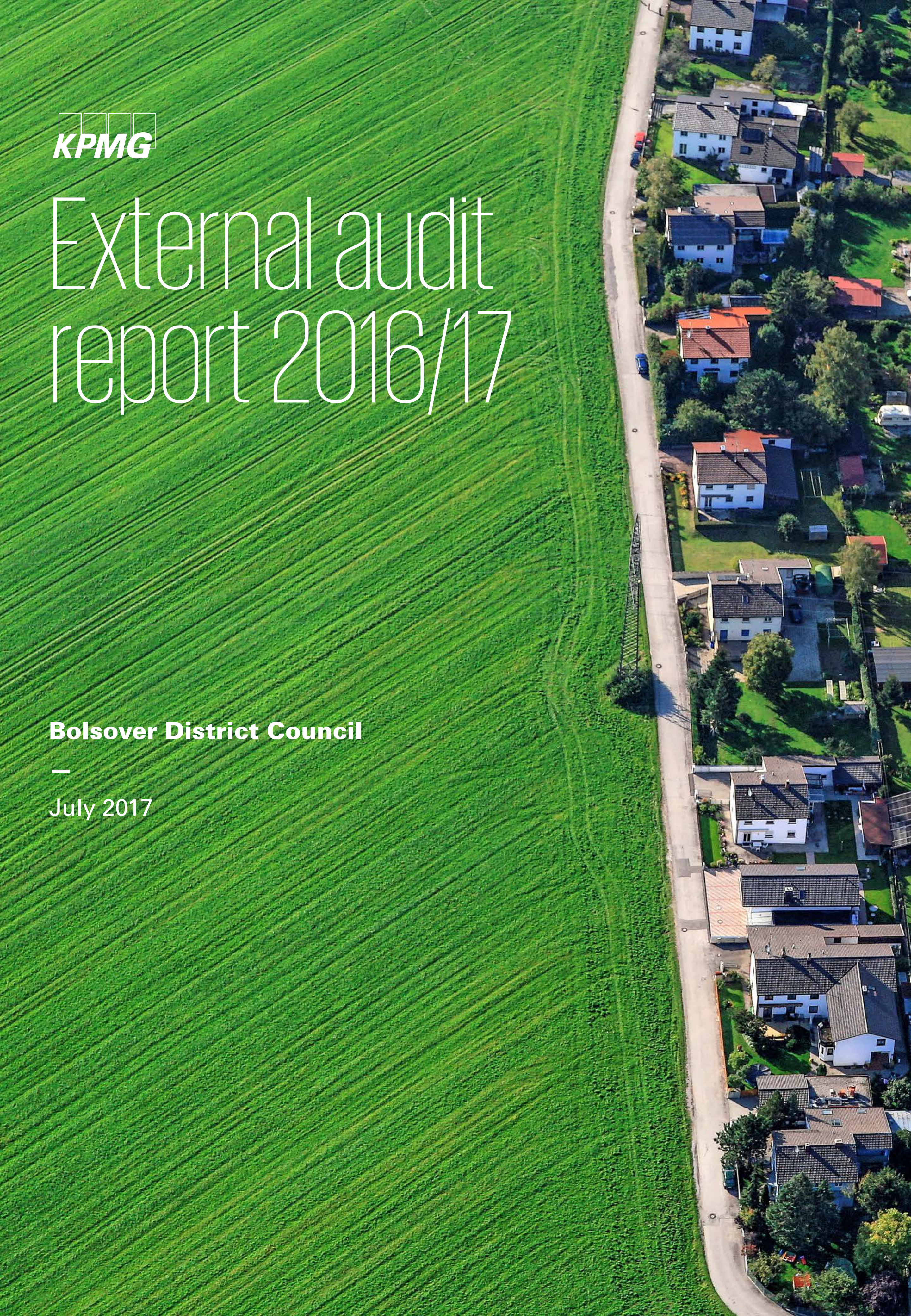


External audit report 2016/17

Bolsover District Council

–

July 2017

Summary for Audit Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Bolsover District Council ('the Authority').

This report focusses on our on-site work which was completed in June 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our findings are summarised in Section one.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements by 31 July. This is nine weeks ahead of this year's statutory deadline of 30 September and is in line with the Authority's timetable in respect of the accelerated closedown deadline in 2017/18.

Our audit of the Authority's financial statements has not identified any audit adjustments which impact on the bottom line figures reported in the core statements. We have, however, identified a number of minor presentational issues. We understand that the Authority has amended the statements for all such issues identified. Further details can be seen in Appendix one.

Based on our work, we have not needed to raise any recommendations. All recommendations raised in our ISA 2015/16 have been fully implemented.

Subject to clearance of our final queries and final (including Director) review we are moving into the completion stage of the audit and anticipate issuing our completion certificate alongside the opinion and VFM conclusion.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. 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 value for money opinion.

See further details in Section two.

Acknowledgements

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

We ask the Audit Committee to note this report.

The key contacts in relation to our audit are:

Tony Crawley
Director
KPMG LLP (UK)

+44 (0)116 256 6067
tony.crawley@kpmg.co.uk

Kay Meats
Manager
KPMG LLP (UK)

+44 (0)782 482 1375
kay.meats@kpmg.co.uk

Katie Scott
Assistant Manager
KPMG LLP (UK)

+44 (0)746 836 5923
katie.scott@kpmg.co.uk

Contents

Section one

Financial Statements

We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements by 31 July 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority has reported a surplus of £1.433m. There has been no impact on the General Fund which remains at £2m.

Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have substantially completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
1. Significant changes in the pension liability due to LGPS Triennial Valuation	**Why is this a risk?** During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the *Local Government Pension Scheme (Administration) Regulations 2013*. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation. 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. **Our work to address this risk** We have reviewed the process used to submit payroll data to the Pension Fund and have found no issues to note. We have also tested the year-end submission process and agreed pension costs, liabilities and disclosures under IAS19 to confirmations from the scheme actuary. We have liaised with our own internal actuary as well as engaged with your Pension Fund audit team to gain assurance over the pensions figures. At the time of writing, we are waiting for the formal letter of assurance from the Pension Fund audit team, however, we do not anticipate any significant issues.

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate 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.

There are no matters arising from this work that we need to bring to your attention.

Other areas of audit focus

We identified three areas of audit focus. These are not considered as significant risks as they are less likely to give rise to a material error. Nonetheless these are areas of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

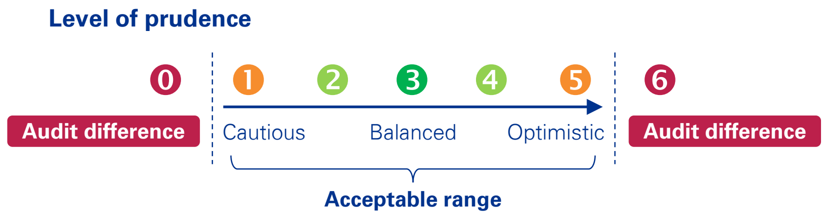
Other areas of audit focus	Our work to address the areas
1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS	**Background** CIPFA has introduced changes to the 2016/17 Local Government Accounting Code (Code): — Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and — Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards. **What we have done** For the restatement, we have obtained an understanding of the methodology used to prepare the revised statements. We have also agreed figures disclosed to the Authority's general ledger and found no issues to note.
2. Business rates provision	**Background** The provision for business rate appeals is an area of audit focus since local authorities have little control over the level of appeals and their outcome. It is difficult to anticipate the financial impact of successful appeals as the potential change in rateable value cannot be predicted. Also, there is usually no indication of timescales to settle an appeal, making it a matter of judgement as to when the financial impact will fall. **What we have done** We have reviewed the Authority's approach to estimating its provision for business rate appeals against the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and found no issues to note.

Other areas of audit focus

Other areas of audit focus	Our work to address the areas
3. Leisure centre	**Background** The Go! Active @ The Arc leisure facility opened in January 2017. The Authority have therefore needed to account for the completed asset in the balance sheet as at 31 March 2017. This is an area of focus as the amounts involved are significant and this is an area of focus as the amounts involved are significant and there is a potential to misstate the asset's valuation by a material amount. In addition to the introduction of the asset, the Authority has also implemented a new system to record the income. The new income system required appropriate controls to be put in place. **What we have done** We have reviewed the accounting treatment adopted in respect of the asset addition of the leisure centre in accordance with the requirements of IAS 16 – Property, Plant and Equipment and found no issues to note. We have also documented our understanding of the controls in place in respect of the new leisure centre income system and we have tested those controls as necessary to gain the required level of audit assurance. We have not found any issues to bring to your attention.

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016/17	2015/16	Commentary
NDR provisions	2	3	The NDR provision as at March 2017 is £1,067k (£1,329k in 2015/16). The movement in the year relates to amounts which have been used in 2016/17 of £262k. The Authority employs an independent company, Analyse Local, to inform its assessment of the appeals and assist in the calculation of an appropriate provision. At the end of March 2017 the estimated provision produced by Analyse Local was £989k, but having reviewed the position officers have decided not to update their estimate of £1,067k given the uncertainty in relation to appeals. We do not consider this to be unreasonable and we have not made a recommendation. We have observed that the approach is comparatively cautious.
PPE: HRA assets	3	3	The Authority continues its use of the beacon methodology in line with the DCLG's *Stock Valuation for Resource Accounting* published in November 2016. The Authority has utilised an internal valuation expert to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions.
Revenue accruals	3	3	The Authority has recorded £795k (£823k in 2015/16) of revenue accruals as at March 2017. We have reviewed the main revenue accruals and consider them to be reasonable and consistent with the prior year.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 25 July 2017.

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.

The final materiality (see Appendix two for more information on materiality) level for this year's audit was set at £900k. Audit differences below £45k are not considered significant.

We did not identify any material misstatements. We identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'). We understand that the Authority has amended the statements for all such issues identified.

Annual governance statement

We have reviewed the Authority's 2016/17 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.

We have made a small number of comments in respect of its format and content which the Authority has agreed to amend.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority. We have made a small number of comments in respect of its content which the Authority has agreed to amend.

Accounts production and audit process

The Accounts and Audit Regulations 2015 introduces a statutory requirement to produce a draft set of financial statements earlier for the year 2017/18. It also shortens the time available for the audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

Our audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

Accounting practices and financial reporting

For the second year running, the Authority has been successful in achieving a faster closedown providing us with the draft financial statements by 31 May. This is already in line with the new statutory deadline which comes into effect in 2017/18.

The Authority has continued to maintain a good financial reporting process and a high standard of quality in the production of the financial statements.

We consider the Authority's accounting practices appropriate.

Completeness of draft accounts

We received a complete set of draft accounts on 30 May 2017, a full month ahead of the statutory deadline.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in April 2017 which outlined our documentation request. This helps the Authority to provide audit evidence in line with our expectations.

We found that the quality of working papers provided was high and met the standards specified in our *Accounts Audit Protocol 2016/17.*

Response to audit queries

Officers dealt with our audit queries efficiently, responding within appropriate timescales. As a result of this, we were able to complete our on-site work in the agreed timescales with only minor queries outstanding. This achievement puts the Authority in a good position to take on the 2017/18 earlier closedown with no significant concerns.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

The Authority has implemented all of the recommendations in our ISA 260 Report 2015/16.

Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work performed, we are satisfied that the controls are performing effectively. We are able to place reliance on the Authority's control framework.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 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 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 2017, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix three 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 Joint Assistant Director – Finance, Revenues and Benefits 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 others 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 2015/16 financial statements.

Section two

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

1 Identification of significant VFM risks (if any)

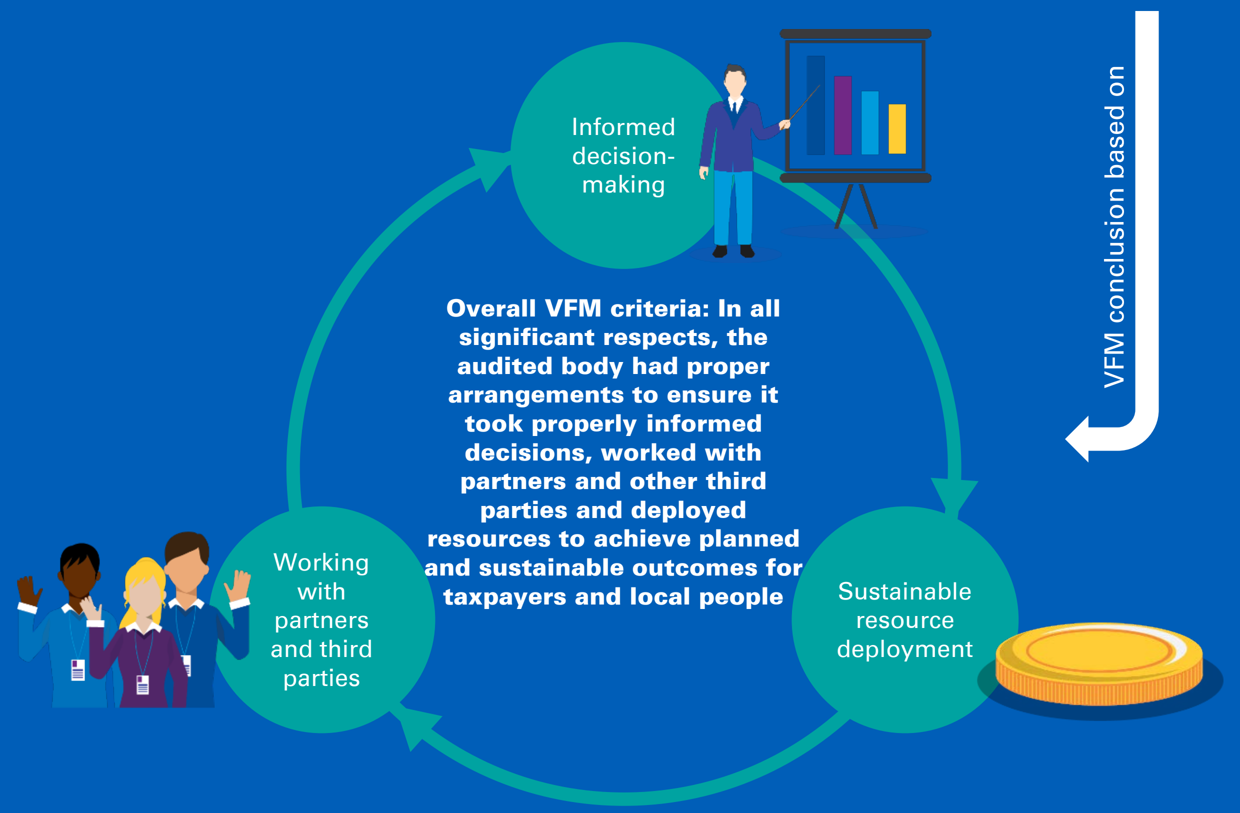
- VFM audit risk assessment
- Financial statements and other audit work

2 Continually re-assess potential VFM risks

- Assessment of work by other review agencies
- Specific local risk-based work

3 VFM conclusion

- **Conclude on arrangements to secure VFM**



The table below summarises our assessment of the individual VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary

VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Financial resilience in the local and national economy	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2016/17, the Authority has made proper arrangements to ensure it took properly informed decisions, worked with partners and other third parties and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

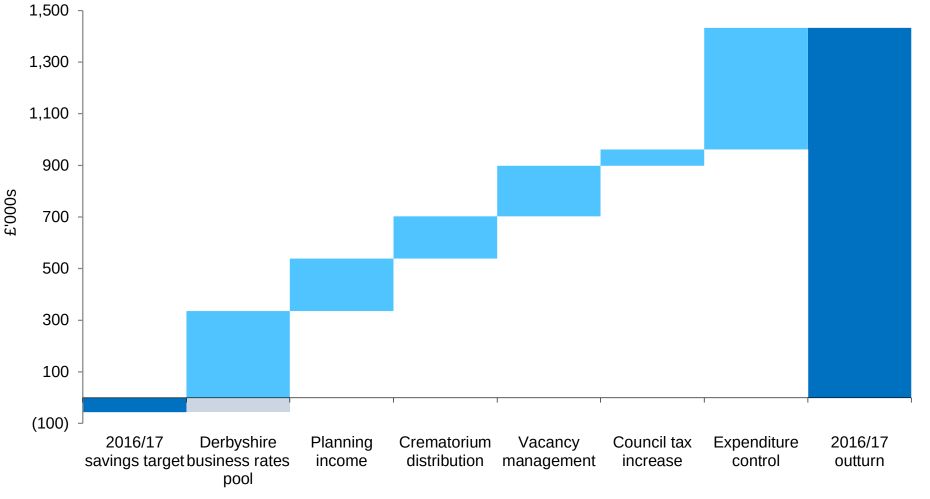
Significant VFM risks

We have identified one significant VFM risk, as communicated to you in our *2016/17 External Audit Plan*. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Significant VFM risks	Work performed
1. Financial resilience in the local and national economy	**Why is this a risk?** The Authority set an original budget for 2016/17 which included a requirement to achieve £0.057m of savings. As at February 2017, the Authority was forecasting that it would deliver its 2016/17 budget and achieve a surplus of £0.423m. The Medium Term Financial Plan (which for clarity did not factor in the projected 2016/17 surplus) shows that a further £0.170m and £1.138m of savings would be required for 2017/18 and 2018/19 respectively to address further reductions in local authority funding. This represents a challenging target given the level of savings already achieved in previous years, and the increasing localisation of financial risk means that there is less certainty about income levels. **Summary of our work** In reaching our VFM conclusion we have considered the Authority's arrangements for making properly informed decisions, sustainable resource deployment and working with partners and third parties. This has included detailed reviews of key documents including the Medium Term Financial Plan, Corporate Plan and Growth Strategy. Our work also reflects the discussions we have held with key officers throughout the year regarding the Authority's continued plans for growth, income generation and cost savings. In our ISA 260 2015/16 we highlighted some uncertainty with respect to the then probable changes to the New Homes Bonus scheme, which were confirmed during 2016/17 and reforms to National Non Domestic Rates (NNDR), which remain to be clarified. In response to this residual uncertainty, the Authority has implemented an Efficiency Plan to enable it to produce a robust Medium Term Financial Plan based on prudent and reasonable assumptions. **2016/17 Outturn** We reviewed the financial outturn position against original plans. We found that the outturn position was significantly better than anticipated allowing the Authority to maintain its general fund reserves of £2m and allocate £1.433m to the Transformation Reserve giving the Authority in excess of £5m of uncommitted reserves at the end of the year. This outturn position provides the Authority with its planned level of financial resilience against risks including uncertainties relating to the reduction in Government grants, NNDR and New Homes Bonus, alongside some flexibility to enable it to invest either to save or to generate returns. The final position showed a significant improvement on that reported to members throughout the year with an additional £0.760m of surplus being derived from a better than anticipated distribution from both the Derbyshire wide business rates pool and the Crematorium as well as increased planning income.

Significant VFM risks	Work performed
	(continued)

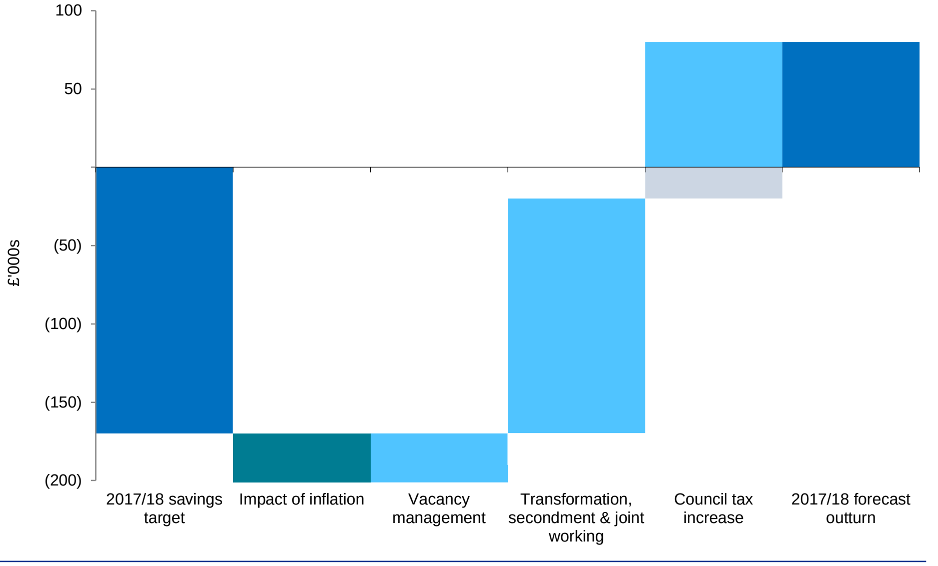
The remainder of savings have been achieved through robust financial management arrangements. The bridge diagram shows the in-year movement in more detail:



Planned 2017/18 Budget

We have reviewed the outcome of the 2017/18 budget setting process and the progress made in respect of identifying savings schemes in order to achieve the required savings target.

The Medium Term Financial Plan sets out the savings target required for 2017/18 in order to secure a balanced budget. As of February 2017 the Authority had identified a savings target of £0.170m. A review of the 2017/18 budget has identified savings opportunities which more than cover this amount as shown in the bridge diagram below:



Significant VFM risks	Work performed
	(continued) The Authority is currently forecasting that it will exceed its savings target achieving a surplus in the region of £80k by the year end. Given the scale of the challenge that faces the Authority in future years and the current funding uncertainties, it is important that these savings are secured by underlying reductions in expenditure or increases in income in order to secure the projected financial savings of £1.138m which are anticipated to be required in 2018/19.

Appendices

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Adjusted audit differences

We did not identify any material audit differences that required amendment in the financial statements.

A number of relatively minor amendments focused on presentational improvements which have been made to the draft financial statements. The most significant of which was a change to the presentation on the face of the CIES to show the exceptional costs for the HRA social housing revaluation adjustment totalling £11.976m as an exceptional item. This does not effect the final outturn position.

The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Unadjusted audit differences

There were no unadjusted audit differences.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in March 2017.

Materiality for the Authority's accounts was set at £900k which equates to around 1.7 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

> *"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

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 Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd 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. Public Sector Audit Appointments Ltd 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 LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Bolsover District Council for the financial year ending 31 March 2017, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Summary of non-audit work		
Description of non-audit service	**Estimated fee**	**Potential threat to auditor independence and associated safeguards in place**
Certification of the Pooling of Housing Capital Receipts Grant	£3,000	**Self interest:** This engagement is separate from the audit and there is a separate engagement letter in place. **Self review:** The nature of this work is to certify the Pooling of Housing Receipts in accordance with the specific assurance instructions set out by DCLG. It does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. **Management threat:** This work will being undertaken in accordance with the Assurance Instruction provided by DCLG. **Familiarity:** This threat is limited given the scale, nature and timing of the work. **Advocacy:** We will not act as advocates for the Authority in any aspect of this work. We report our findings directly to the Authority and DCLG. **Intimidation:** Not applicable.
Total estimated fees	**£3,000**	
Total estimated fees as a percentage of the external audit fees	**5.3%**	

Appendix 4

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £49,410 plus VAT *(£49,410 in 2015/16)*. However, we propose an additional fee in the region of £2,000 in respect of work undertaken in relation to the CIES restatement and the triennial pension revaluation.

Our work on the certification of Housing Benefits (BEN01) is planned to meet the deadline of 30 November 2017. The planned scale fee for this is £6,735 plus VAT, see further details below. Planned fees for other grants and claims which do not fall under the PSAA arrangements is £3,000 plus VAT (£3,000 in 2015/16), see further details on page 25.

PSAA Fee table		
Component of audit	**2016/17** *(planned fee)* £	**2015/16** *(actual fee)* £
Accounts opinion and use of resources work		
PSAA scale fee set in 2014/15	49,410	49,410
Estimated additional work to conclude our opinions (note 1)	TBC	1,458
Subtotal	**49,410***	**50,868**
Housing benefits (BEN01) certification work		
PSAA scale fee set in 2014/15	6,735	7,670
Additional work to conclude our certification (note 2)	-	760
Subtotal	**6,735**	**8,430**
Total fee for the Authority	**56,145***	**62,298**

All fees are quoted exclusive of VAT.

Note 1: Accounts opinion and use of resources work

For 2016/17, we have discussed additional fee in relation to the work undertaken in respect of the CIES restatement and the triennial pension revaluation with the S151 officer. This is still subject to final agreement and PSAA approval.

In 2015/16, the PSAA approved a fee variation of £1,458 in relation to our review of exit package disclosures (£859) and additional substantive testing undertaken in respect of HRA housing repairs and maintenance (£599).

Note 2: Housing benefits (BEN01) certification work

In 2015/16, the PSAA approved a fee variation of £760 in relation to additional work required in respect of errors and amendments identified in our sample testing. This was previously reported in our *Certification of Claims and Returns 2015/16*.

***Does not include the additional fee re note 1**