

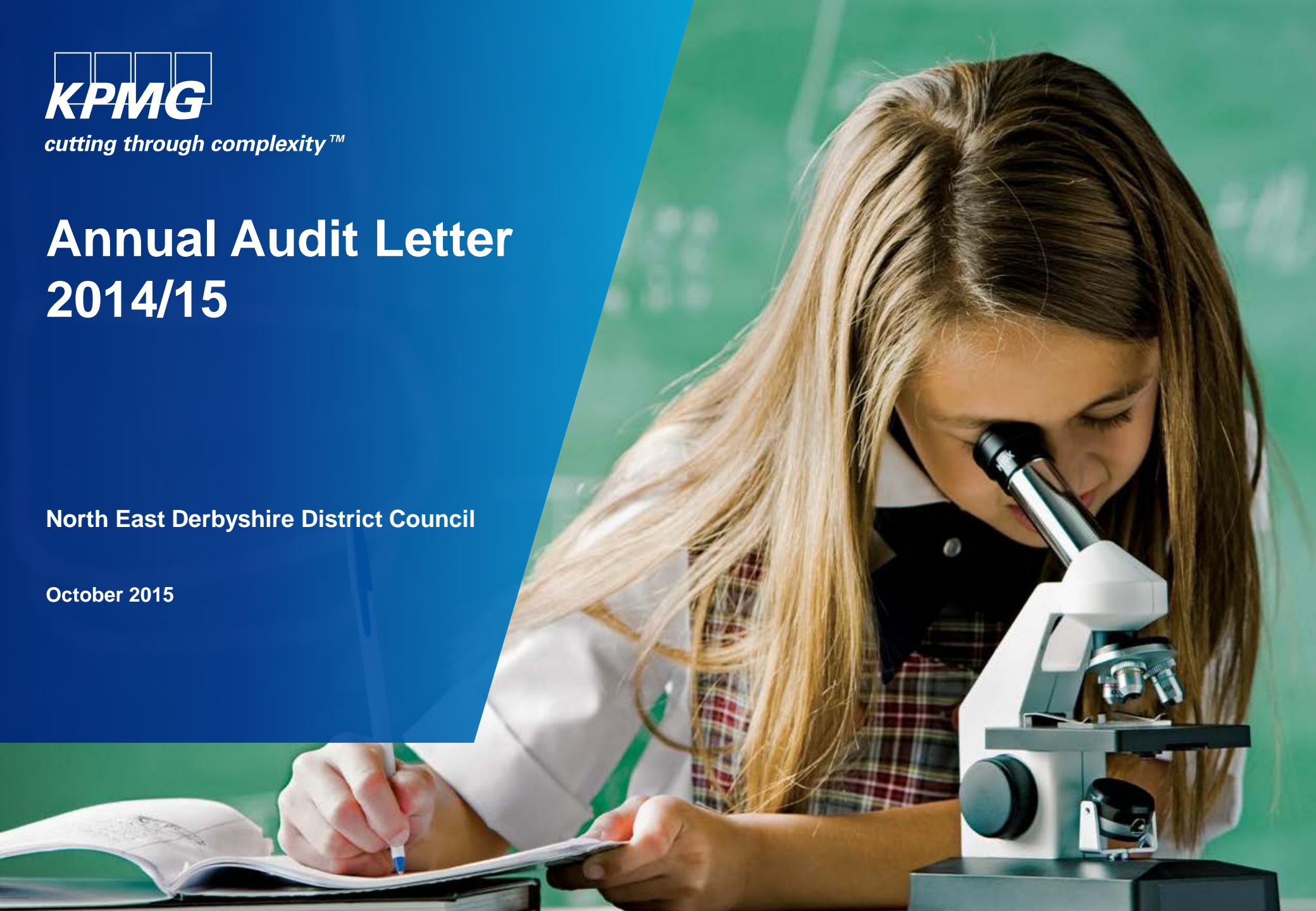


*cutting through complexity™*

# Annual Audit Letter 2014/15

North East Derbyshire District Council

October 2015



**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

**Kay Meats**

*Assistant Manager*

*KPMG LLP (UK)*

Tel: 0115 945 4485

Kay.Meats@kpmg.co.uk

**Report sections**

- Headlines

**Appendices**

1. Summary of reports issued
2. Audit fees

**Page**

2

4

5

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 issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.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.

We are committed to providing you with a high quality service. 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 engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

**This report summarises the key findings from our 2014/15 audit of North East Derbyshire 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 2014/15 financial statements and the 2014/15 VFM conclusion.**

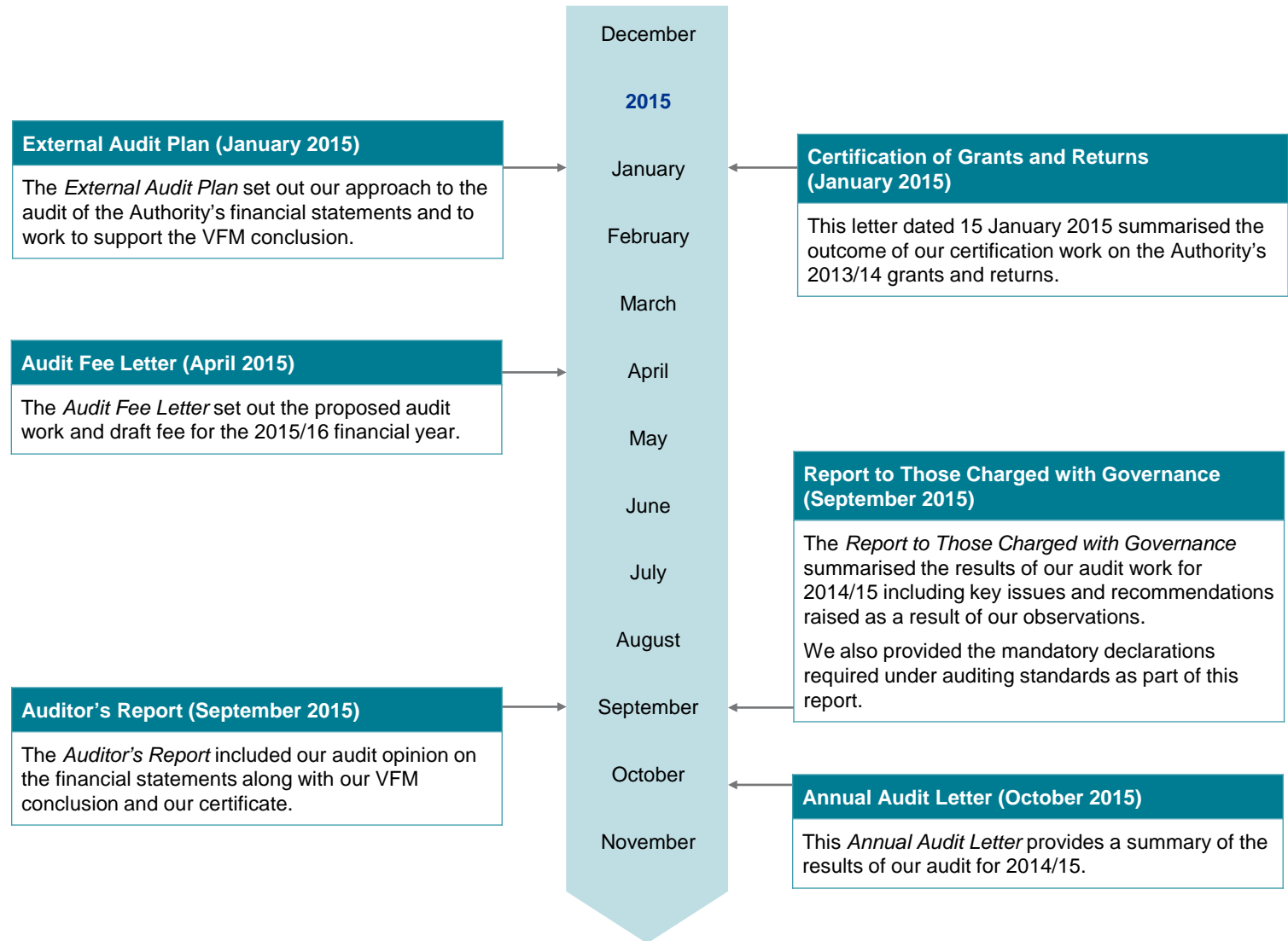
<p><b>VFM conclusion</b></p>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 25 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources.</p>
<p><b>VFM risk areas</b></p>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our initial risk assessment work at the planning stage of the audit identified the following significant matter:</p> <ul style="list-style-type: none"> <li>■ Challenges linked to the ongoing need to deliver savings and cost reductions to maintain financial resilience. We critically assessed the controls the Authority has in place to ensure a sound financial standing and reviewed how the Authority is planning and managing its savings plans. We concluded that the Authority has adequate arrangements in place to manage its finances but noted:             <ul style="list-style-type: none"> <li>■ the need to progress its plans to dispose of the Saltergate site and Mill Lane land in order to secure the projected savings on its revenue budget</li> <li>■ the ongoing need to mitigate risks and ensure benefits are realised for major economic regeneration projects such as the Coalite site; and</li> <li>■ the need to adjust housing business plans to reflect the impact of the annual 1% rent reduction over the next 4 years.</li> </ul> </li> </ul> <p>We concluded that we did not need to carry out additional work for this risk as there was sufficient relevant work that had been completed by the Authority in relation to these risk areas.</p> <p>We also note that the Council is currently going through a change in Chief Executive. This is a joint appointment with Bolsover District Council and has been under discussion for some time. As a consequence it is disappointing to note that the departure of the previous Chief Executive was not handled more effectively, resulting in a £29k payment in lieu of notice in 2015/16. Had the decision been taken earlier, even after the interview and appointment of his replacement, he could have worked at least some of his notice.</p>
<p><b>Audit opinion</b></p>	<p>We issued an unqualified opinion on the Authority's financial statements on 25 September 2015. 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.</p>

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

<b>Financial statements audit</b>	<p>We identified no issues in the course of the audit that are considered to be material.</p> <p>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.</p> <p>We have had regular meetings with Officers throughout the year which has facilitated delivery of the audit.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
<b>Whole of Government Accounts</b>	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
<b>High priority recommendations</b>	<p>We raised no high priority recommendations as a result of our 2014/15 audit work although we raised a couple of recommendations to help improve the effectiveness of the controls underpinning the key financial systems.</p>
<b>Certificate</b>	<p>We issued our certificate on 25 September 2015. The certificate confirms that we have concluded the audit for 2014/15 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>
<b>Audit fee</b>	<p>Our fee for 2014/15 was £75,342, excluding VAT. Further detail is contained in Appendix 2.</p>

## Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



**This appendix provides information on our final fees for the 2014/15 audit.**

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

#### **External audit**

Our final fee for the 2014/15 audit was £75,342, which includes the additional £900 incorporated into the scale fee by the Audit Commission linked to the increased audit requirements around NNDR since the removal of the external audit of the NNDR3 grant.

#### **Certification of grants and returns**

Under our terms of engagement with Public Sector Audit Appointments (PSAA Ltd) we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

#### **Other services**

We did not charge any additional fees for other services.



*cutting through complexity™*

© 2015 KPMG LLP, a UK public limited liability partnership 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).