Contents

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 0303 4448330.

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<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report sections</td>
<td></td>
</tr>
<tr>
<td>■ Headlines</td>
<td>2</td>
</tr>
<tr>
<td>Appendices</td>
<td></td>
</tr>
<tr>
<td>1. Summary of reports issued</td>
<td>4</td>
</tr>
<tr>
<td>2. Audit fees</td>
<td>5</td>
</tr>
</tbody>
</table>

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This report summarises the key findings from our 2013/14 audit of Chesterfield Borough 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.

Section one

Headlines

<table>
<thead>
<tr>
<th>VFM conclusion</th>
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<tr>
<td>We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2013/14 on 30 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. 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.</td>
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<th>VFM risk areas</th>
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<td>We identified a single specific risk to our VFM and considered the arrangements you have put in place to mitigate this. 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 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 this risk area. We did however comment that the financial position of the Authority is becoming more challenging with the latest budget monitoring report showing a number of significant areas of potential overspend which if not addressed will add around £0.5m to the current year’s expenditure and just under £1m to the 2015/16 budget. Although the Authority is confident that corrective action can be taken in year it is imperative that this is closely monitored and that all members are kept informed of the financial position on a regular basis.</td>
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<tr>
<th>Audit opinion</th>
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<td>We issued an unqualified opinion on your financial statements on 30 September 2014. 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.</td>
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<th>Financial statements audit</th>
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<td>We identified no issues in the course of the audit that are considered to be material. 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 had regular meetings with Officers throughout the year which has facilitated delivery of the audit.</td>
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<th>Annual Governance Statement</th>
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<td>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</td>
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All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

### Whole of Government Accounts

We undertook a limited review of the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. As the Authority falls below the threshold for detailed testing we only reported that the pension liabilities and PPE disclosures in the Authority’s consolidation pack are consistent with the audited statutory accounts.

### High priority recommendations

We raised no high priority recommendations as a result of our 2013/14 audit work.

### Certificate

We issued our certificate on 30 September 2014.

The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the Audit Commission Act 1998 and the Audit Commission’s Code of Audit Practice.

### Audit fee

Our planned fee for 2013/14 was £69,027, excluding VAT. We are however proposing an additional fee of £900 for 2013/14 for the additional NNDR testing that we have had to carry out as part of our opinion audit as a result of there being no certification of the NNDR3 return. This additional fee is subject to final determination by the Audit Commission. Further detail is contained in Appendix 2.

### Risk register benchmarking exercise

We reported on a benchmarking exercise to compare risk registers and the related review processes across our wide range of local government clients. This confirmed that your risk management processes are generally in line with other district councils and you share similar risks. The report is intended to provide a useful prompt to the Standards and Audit Committee to review its role in this area.

You are currently reviewing your Risk Management arrangements (Strategic and Operational Risk Registers and the Reporting Arrangements) with the help of a consultant from Zurich Insurance. You have advised us that a revised Strategic Risk Register and Risk Management Policy should be in place by December.
Appendices

Appendix 1: Summary of reports issued

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

- **External Audit Plan (March 2014)**
  
The *External Audit Plan* set out our approach to the audit of the Authority’s financial statements and to work to support the VFM conclusion.

- **Audit Fee Letter (April 2014)**
  
The *Audit Fee Letter* set out the proposed audit work and draft fee for the 2014/15 financial year.

- **Auditor’s Report (September 2014)**
  
The *Auditor’s Report* included our audit opinion on the financial statements, our VFM conclusion and our certificate.

- **Risk register benchmarking exercise (October 2014)**
  
  We issued a report benchmarking the Authority’s risk register against other district councils.

- **Certification of Grants and Returns (January 2014)**
  
  This report on summarised the outcome of our certification work on the Authority’s 2012/13 grants and returns.

- **Report to Those Charged with Governance (September 2014)**
  
  The *Report to Those Charged with Governance* summarised the results of our audit work for 2013/14 including key issues and recommendations raised as a result of our observations. We also provided the mandatory declarations required under auditing standards as part of this report.

- **Annual Audit Letter (October 2014)**
  
  This *Annual Audit Letter* provides a summary of the results of our audit for 2013/14.
Appendices

Appendix 2: Audit fees

To ensure openness between KPMG and your Standards and Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

Our proposed fee for the 2013/14 audit of the Authority is £69,927. This compares to a planned fee of £69,027.

We are proposing an additional fee of £900 to cover extra work undertaken on NNDR. To deliver our 2013/14 audit opinion there were two elements of our work that we have previously carried out while certifying LA01 (the NNDR3 return), and relied upon for our opinion audit. In 2013/14, as a result of there being no certification of the NNDR3 return, we have had to carry out this work as additional procedures to our opinion audit.

Our proposed additional fee is still subject to final determination by the Audit Commission.

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 2013/14 which we are due to issue in January 2015.

![External audit fees 2013/14 (£'000)](chart)