

**To the Chair and Members of the
AUDIT COMMITTEE**

**STATEMENT OF ACCOUNTS 2016/17
ISA REPORT TO THOSE CHARGED WITH GOVERNANCE**

EXECUTIVE SUMMARY

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2016/17 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The ISA 260 report (Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally has to be done by 30th September.
3. The external auditor (KPMG) expects to issue an unqualified audit opinion on the Council's financial statements for 2016/17; subject to all outstanding queries being resolved to their satisfaction.
4. KPMG also expects to issue an unqualified Value For Money (VfM) conclusion for 2016/17.
5. Overall the ISA 260 report is an extremely positive one, with the majority of the adjustments being largely presentational with no impact upon the primary statement and reserve balances. Following discussions on the accounting for the pension liability held by St Leger Homes, the Council has produced a consolidated set of accounts to prevent thier being a material difference on the Council's balance sheet.
6. The ISA 260 report details that overall good quality working papers with a clear audit trail were provided and generally responses to audit queries were provided timely.
7. The Chief Financial Officer & Assistant Director – Finance, has approved the following change to the Accounting Policy regarding depreciation of Other Land & Building as shown below: -

Previous Wording:

Asset Category	Useful Life
Other Land & Building	Dependent upon the asset 30, 40 or 50 years

New Wording:

Asset Category	Useful Life
Other Land & Building	Dependent upon the asset concerned

8. The Chief Financial Officer & Assistant Director – Finance, as the responsible financial officer, re-confirms on behalf of the Council that he is satisfied that the statement of accounts presents a true and fair view of: -
 - a. the financial position of the Council at the end of the 2016/17 financial year; and
 - b. the Council's income and expenditure for the 2016/17 financial year.

EXEMPT REPORT

9. Not applicable.

RECOMMENDATIONS

10. It is recommended that the Audit Committee: -
 - a. Note the contents of the external audit ISA 260 report;
 - b. Consider the Letter of Representation and endorse its contents; and
 - c. Approve the Statement of Accounts 2016/17.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

11. An unqualified audit opinion on the Council's financial statements and a good VfM conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

BACKGROUND

Preparation of the Accounts

12. The Council's 2016/17 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the appropriate accounting codes of practice. They were approved by the Council's responsible financial officer on the 1st June 2017 and published on the Council's website on 2nd June 2017. The statutory deadline to obtain certification of the accounts by the responsible financial officer is 30th June however, due to improved financial management processes, the Council is moving towards a shorter deadline of the 31st May.
13. The draft accounts were presented to this Committee for information on 21st June 2017. KPMG were presented with these draft accounts on 1st June 2017 with working papers being provided on 12th June 2017.

Outcomes of the Audit

14. The audit began on Monday, 5th June 2017 and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied

and adequately disclosed. This has resulted in the findings and conclusions contained in the ISA 260 report.

15. Throughout the audit process the Council's Financial Management team have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion.
16. KPMG did not identify any material misstatements. This is a testament to the knowledge and expertise of all staff engaged in the final accounts process. This reflects the benefit of key finance officers taking a proactive role in identifying potential risks so that a dialogue can take place with KPMG at an early stage to discuss and seek agreement on significant and often highly complex, accounting issues affecting the year's accounts.
17. There was an adjusted audit difference regarding Consolidated Accounts. The Council has not consolidated the subsidiary company of St Leger Homes of Doncaster (SLHD) since 2014/15 on the grounds of materiality. The SLHD pension liability increased significantly from £19.1m in the 2015/16 accounts to £41.7m in 2016/17. This information is not available until mid-April and therefore we were unable to initially discuss with KPMG and agree whether or not consolidated accounts were required. Following ongoing consultation with KPMG it was confirmed that a consolidated set of accounts would need to be prepared to include the results of SLHD. KPMG have noted that the Council were proactive in raising this issue with them as early as possible and were able to produce a set of consolidated accounts in a relatively short timescale ensuring minimal delays to the audit process.
18. KPMG have made three recommendations this year: one is Medium priority and two are Low priority. The Medium priority recommendation is regarding IT User Documentation and Processing around the e5 financial ledger, Universal Housing and Northgate. The two Low priority recommendations are regarding Housing Benefits Overpayments Reports and Reconciliations. These are detailed in the ISA 260 report pages 21 to 22.
19. In the previous year, KPMG raised five recommendations which were reported in the External Audit Report 2015/16 (ISA 260). The Authority has successfully implemented three of the recommendations and will look to implement the remaining two as a priority; further details are provided in the ISA260 report pages 23 to 25.
20. KPMG identified five minor amendments focused on presentational improvements/omissions that have been corrected in the Statement of Accounts. None of these amendments have changed the financial results previously reported in the draft financial statements; the outturn position as reported to Cabinet in June or the reader's interpretation of the accounts. These are detailed in the ISA 260 report page 26.
21. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Monday, 5th June 2017, during which, members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes. During this period no inspection visits were made.
22. KPMG intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. KPMG performed detailed work on two identified risks – Children's Services Trust

Overspend and an additional risk identified for Adult Social Care Contracting – as well as work around VfM process in place across the Council. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.

23. The Letter of Representation (see Appendix B) requires endorsement by the Committee as an important final stage in the audit of the Council’s 2016/17 Statement of Accounts. The letter is from the Chief Financial Officer & Assistant Director – Finance to KPMG and is an assurance from management that the accounts have been prepared correctly and to bring to the auditors’ attention any further matters that need to be taken into account prior to their opinion being issued.
24. As previously advised to this Committee, the dates for the 2017/18 accounts to be signed by the Responsible Finance Officer and then published will be brought forward to 31st May, with the audited deadline being brought forward to 31st July. KPMG have reported that the Council is in a good position to take on the 2017/18 earlier closedown with no significant concerns.

OPTIONS CONSIDERED

25. Not applicable.

REASONS FOR RECOMMENDED OPTION

26. The Council is subject to statutory external audit and performance evaluation by KPMG and must prepare annual accounts.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

27. These are detailed in the table below: -

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster’s vital services</i> 	<p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>An unqualified audit opinion from KPMG on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</p>
	<p>People in Doncaster benefit from a high quality built and natural environment.</p>	

	<ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	All families thrive.	
	<ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	Council services are modern and value for money.	
	Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

28. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them.

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included an increase in senior officer quality assurance review and control and internal verification and checks by finance and technical officers.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with KPMG throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings

LEGAL IMPLICATIONS

29. The Council is subject to statutory external audit and performance evaluation by KPMG.

FINANCIAL IMPLICATIONS

30. The Council's Statement of Accounts are prepared in line with the Accounts

and Audit Regulations 2015 and International Financial Reporting Standards (IFRS).

31. The audit fee budget is managed by the Director of Finance and Corporate Services and this review is included in the planned expenditure for the 2016/17 audit.

HUMAN RESOURCES IMPLICATIONS

32. There are no specific Human Resources implications related to the contents of this report.

TECHNOLOGY IMPLICATIONS

33. There are no specific Technology implications related to the contents of this report. ICT will work with the owners of the key issues and recommendations highlighted in the KPMG report, where applicable, to consider options to address these moving forward. The implementation of the new service desk solution and associated processes will support the identified improvements to processing of user changes on key IT systems.

EQUALITY IMPLICATIONS

34. This report has no specific equality implications.

CONSULTATION

35. Not applicable.

BACKGROUND PAPERS

36. Following background papers:
- Accounts and Audit (England) Regulations 2015
 - The Code of Practice on Local Authority Accounting 2016/17 ('The Code') - based on IFRS
 - Draft Statement of Accounts 2016/17

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