



Doncaster Council

Report

1st February, 2018

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

EXTERNAL AUDITOR (KPMG) AUDIT PLAN 2017/18 AND ARRANGEMENTS FOR THE PREPARATION OF THE 2017/18 ACCOUNTS

EXECUTIVE SUMMARY

1. The external auditor – KPMG – will undertake a programme of work in order to deliver their Code of Audit Practice audit which will cover work on the financial statements and the value for money conclusion for the 2017/18 financial year.
2. Attached to this report, at Appendix A, is KPMG's plan for completing this review of the Council's financial statements and associated disclosure notes and providing an audit opinion on the Council's 2017/18 Statement of Accounts.
3. This report also provides details of the audit plan and timetable for producing the 2017/18 Statement of Accounts. The statutory deadlines for producing the draft accounts and the approved audited accounts are set out in regulation and are currently 31st May and 31st July respectively.
4. The Accounts and Audit Regulations 2015 brought forward the timetable for the preparation and approval of the 2017/18 draft accounts from 30th June (1 month earlier) and an audit deadline from 30th September (2 months earlier). The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management.
5. The Council moved to the 31st July deadline from 2016/17; a year earlier than required. The draft accounts for 2017/18 will be certified and published by 31st May with the audited accounts to be finalised and published by 27th July. The Council will be fully compliant with the deadlines and the revised inspection process for the production of the 2017/18 accounts.

EXEMPT REPORT

6. Not applicable

RECOMMENDATIONS

7. The Audit Committee is asked to note: -
 - a. the content of KPMG's Audit Plan 2017/18;
 - b. the arrangements, including the draft timetable, to produce the 2017/18 accounts.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. The audit programme of work is necessary to enable KPMG to satisfy themselves that the Council has secured good governance and value for money in its use of public resources.
9. These arrangements will contribute towards the Council receiving an unqualified opinion on their accounts and secure good governance and value for money in its use of resources.

BACKGROUND

External Auditors Audit Plan

10. The External Audit Plan covers how the audit is performed in terms of the risks identified, key deliverables, timeline and fees for the audit.
11. KPMG are required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in their compilation. The statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.
12. The Code of Audit Practice covers two main responsibilities requiring KPMG to review and report on the Council's: -
 - a. Financial statements (including the Annual Governance Statement) providing an opinion on the Council's accounts; and
 - b. Use of Resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the 'value for money' or VfM conclusion).
13. There are no significant changes to the accounting standards and financial reporting framework in 2017/18. Based on initial planning work, KPMG have identified two significant risks for the audit: -
 - a. The valuation of Property, Plant and Equipment; and
 - b. The valuation of the pension liability.
14. Further details on these and the impact on the audit are provided on pages 7 and 8 of the Audit Plan.
15. KPMG have identified two significant VfM risks: -
 - a. Children's Services Trust Overspend; and
 - b. Adult Services contracts.
16. Further details on this and the impact on audit are provided on page 11 of the Audit Plan.
17. The main year end audit is currently planned to commence on 4th June

2018. An interim visit is scheduled to commence on 26th February 2018 when KPMG will evaluate and test controls over key financial systems identified as part of our risk assessment; review the work undertaken by the internal audit function on controls relevant to our risk assessment; review the accounts production process; and review progress on critical accounting matters.

Timetable for the Preparation of the Accounts

18. The accounts and audit regulations 2015 require that the responsible financial officer, by no later than 31st May, signs and certifies that the statement of accounts presents a true and fair view of the financial position of the council for the year to 31st March previous, subject to the views of the external auditor (KPMG).
19. The regulations further require that on or before the 31st July, approval needs to be given to the Statement of Accounts by resolution of the Audit Committee. This approval will take into account the views of KPMG. This is done so that the Statement of Accounts can then be published.
20. To achieve this, a draft timetable has been developed which will enable the closedown process for the 2017/18 accounts to be proactively managed. Appendix B provides a summary version of the timetable showing the key dates and deadlines.
21. The date for the sign off of the draft 2017/18 accounts has been set as Thursday, 31st May 2018 with the audited 2017/18 accounts expected to be presented to this Committee on Thursday, 26th July 2018. It is expected that future years' accounts will be produced in line with these dates.
22. The timetable continues to be extremely challenging. However, the professionalism, knowledge and experience of key finance officers; and the continued development of the ERP financial system will assist in making these future deadlines achievable.
23. The Council moved to the 31st July deadline, see paragraph 4, from 2016/17; a year earlier than required. Meeting this deadline again will be subject to embedding changes to internal procedures, doing as much as possible in advance of the year-end e.g. production of notes that are not dependent on the year-end position, and the early availability of external audit resources.
24. The preparation and production of last year's Statement of Accounts went extremely well and KPMG highlighted officers' hard work and the high quality of working papers as major contributory factors. KPMG issued an unqualified opinion on both the Statement of Accounts and the Council's Value for Money conclusion following the presentation of the accounts to this Committee on 27th July 2017.
25. Work to improve the quality and timeliness of both the Statement of Accounts and associated working papers continues. Internal Financial Management Final Accounts meetings are held on a regular basis over the four month period to May to ensure that accounting procedures are applied consistently; best practice is shared; there is a shared understanding of any difficulties or delays that are happening and to disseminate updated information quickly and consistently.

OPTIONS CONSIDERED

26. KPMG's Audit Plan includes information about planned audit work and the related fees for this work which KPMG deem to be necessary to fulfil their legal obligations. The Council is required to meet such fees.

REASONS FOR RECOMMENDED OPTION

27. 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

28. 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>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 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>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> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	
	<p>Working with our partners we will provide strong leadership and governance.</p>	

RISKS AND ASSUMPTIONS

29. KPMG identifies respective risks which their work is intended to consider. Assumptions about these risks have been made by KPMG in the planning of this work and the calculation of the respective fees.
30. Materiality for planning purposes has been set at £11.0 million which equates to 1.55% of gross expenditure
31. Failure to meet the statutory deadlines for signing, producing and/or publishing the accounts would attract adverse comments from KPMG, who could issue a public interest report.
32. KPMG need to be confident that the information in the accounts is accurate and reliable otherwise they may not be able to give an unqualified opinion on the accounts.

LEGAL IMPLICATIONS

33. The Council is subject to statutory external audit and performance evaluation by KPMG in their role as the external auditor for the Council.
34. The Council must comply with the CIPFA's Code of Practice on Local Authority Accounting (the 'Code') when preparing the accounts.
35. The account and audit regulations 2011 (and the 2015 regulations) and the Local Audit And Accountability Act 2014 specify the deadlines for signing and producing the accounts and when they will be available for public inspection.

FINANCIAL IMPLICATIONS

36. The proposed fee for this work for the 2017/18 audit is £164,844, which is the same fee as 2016/17.
37. Audit fees will continue to be minimised if the Council continues to achieve an efficient and well controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

HUMAN RESOURCES IMPLICATIONS

38. There are no specific HR implications related to the contents of this report however the tightening of the timescales does have implications for the provision of payroll data which forms part of the final accounts. Liaison with the HR Shared Service Centre will be needed at the earliest opportunity to ensure the deadlines can be met.

TECHNOLOGY IMPLICATIONS

39. There are no specific Technology implications related to the contents of this report.

EQUALITY IMPLICATIONS

40. This report has no specific equality implications.

CONSULTATION

41. This report consults with members of the Audit Committee in these matters. There is consultation with managers at the outset, throughout and at the conclusion of the annual audit in order to ensure that key audit issues are identified and resolved and that adjusted / unadjusted audit differences and performance improvement recommendations are adequately communicated.

BACKGROUND PAPERS

42. None.

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