

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

KPMG AUDIT OPINION PLAN 2012/13

EXECUTIVE SUMMARY

1. 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 ('VFM') conclusion for the 2012/13 financial year.
2. Attached to this report, at Appendix 1, 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 accounts.

RECOMMENDATIONS

3. The Audit Committee is asked to note the content of the External Audit Plan 2012-13.

BACKGROUND

4. The External Audit Plan covers how the audit is performed in terms of the risks identified, key deliverables, timeline and fees for the audit.
5. 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 Audit Commission Act 1998, the Local Government Act 1999 and the Audit Commission's Code of Audit Practice.
6. The Code of Practice covers two main responsibilities requiring KPMG to review and report on the Council's
 - Financial statements (including the Annual Governance Statement) providing an opinion on the Council's accounts; and
 - Use of Resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the VFM conclusion).
7. There are no significant changes to the accounting standards and financial reporting framework in 2012/13. Based on initial planning work, KPMG have not identified any 'significant risks' as defined by the auditing standards. However they have highlighted three audit risks which they will be addressing and wish to highlight to the Council. The Audit Committee should note that the key financial statements audit risks contained in the plan are

- Municipal Mutual Insurance;
- Digital Region Limited; and
- Quality Assurance

Further details on these and the impact on audit are provided in section 4 of the Plan.

OPTIONS CONSIDERED & RECOMMENDED OPTION

8. The External 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.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

9. This external audit work has the following significance.

Priority Theme	Implications of this initiative
Creating a strong, connected and inclusive economy	An unqualified opinion from KPMG on the Council's accounts would assist with the positive reputation and the organisational assessment of the Council
Developing stronger communities	
Increasing and improving housing	
Protecting and improving all our children's lives	
Improving health and support for independent lives	
Tackling crime and anti-social behaviour	
Creating a cleaner and better environment	
Internal Transformation	

RISKS & ASSUMPTIONS

10. 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

LEGAL IMPLICATIONS

11. The Council is subject to statutory external audit and performance evaluation by KPMG in their role as the external auditor for the Council.

FINANCIAL IMPLICATIONS

12. The proposed fee for this work for the 2012/13 audit is £218,322. This represents a 40% reduction on the 2011/12 audit fee of £363,870. KPMG will also charge a fee of £40,600 for the audit of government grants and returns, leading to a total fee of £258,922 for 2012/13 compared to a total fee of £429,924 in 2011/12.

13. The audit fee budget is managed by the Director of Finance and Corporate Services. 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.

CONSULTATION

14. 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

15. Audit Fee Letter 2012-13, Audit Committee, 13th November 2013
KPMG Accounts Audit Protocol 2012/13

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