

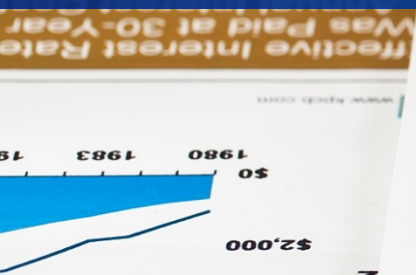
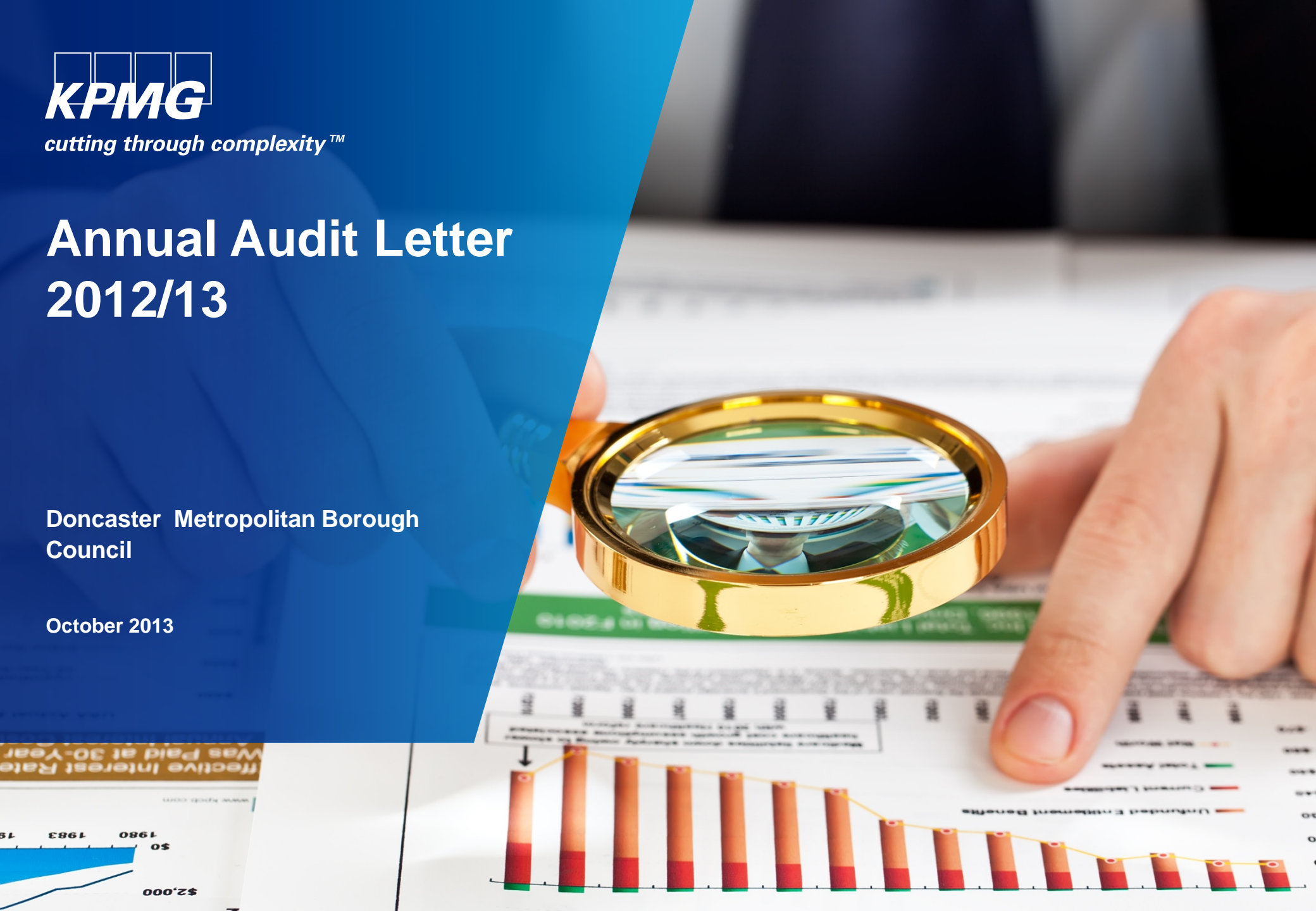


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Annual Audit Letter 2012/13

Doncaster Metropolitan Borough
Council

October 2013



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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 John Prentice, 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 03034448330.

This report summarises the key findings from our 2012/13 audit of Doncaster Metropolitan 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.

Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.

VFM conclusion

We issued an unqualified value for money (VFM) conclusion for 2012/13 on 30 September 2013.

This means we are satisfied that, overall, 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 and improving efficiency and productivity.

Our conclusion included a "Report by Exception" relating to the Authority's arrangements for managing risks in the delivery of child protection services. During 2012 OFSTED conducted an inspection of the Authority's child protection services which had first been inspected in 2008. OFSTED concluded that the pace of improvement in the delivery of child protection services was unsatisfactory, and the Secretary of State for Education has subsequently issued a direction to require the Authority to work with the Commissioner for Social Care to transfer child protection services to an independent Trust. In this case the "Report by Exception" draws attention to a matter that is serious but that is not typical of the Authority's overall performance, and that therefore does not require us to qualify our conclusion.

VFM risk areas

We identified a two significant risks to our VFM conclusion, in addition to the Children's Services risk referred to above, and considered the arrangements you have put in place to mitigate them:-

- Savings Plans. The Authority has already made substantial savings in response to the reduction in central government's funding of local authorities, but still has to reduce spending by £109 millions between 2013/14 and 2016/17. The Authority has a good record of meeting or exceeding its targets in recent years, and should be able to do so in 2013/14. But the savings for the two subsequent years will be increasingly difficult, and success will require the Mayor and councillors to make some challenging and unpalatable decisions.
- Digital Region Limited (DRL). DRL is a joint venture between the 4 South Yorkshire Metropolitan Authorities and the former Regional Development Agency, Yorkshire Forward, to develop a broadband network across South Yorkshire. DRL has been unable to achieve sufficient sales to be viable, and its Board has decided to cease trading. The overall cost to the public purse will be about £100 millions, of which the Authority's share is about £9 million. The Authority has, in collaboration with the other shareholders, taken appropriate actions to minimise costs since DRL's operating difficulties became known.

There are recommendations on both of these points later in this Letter.

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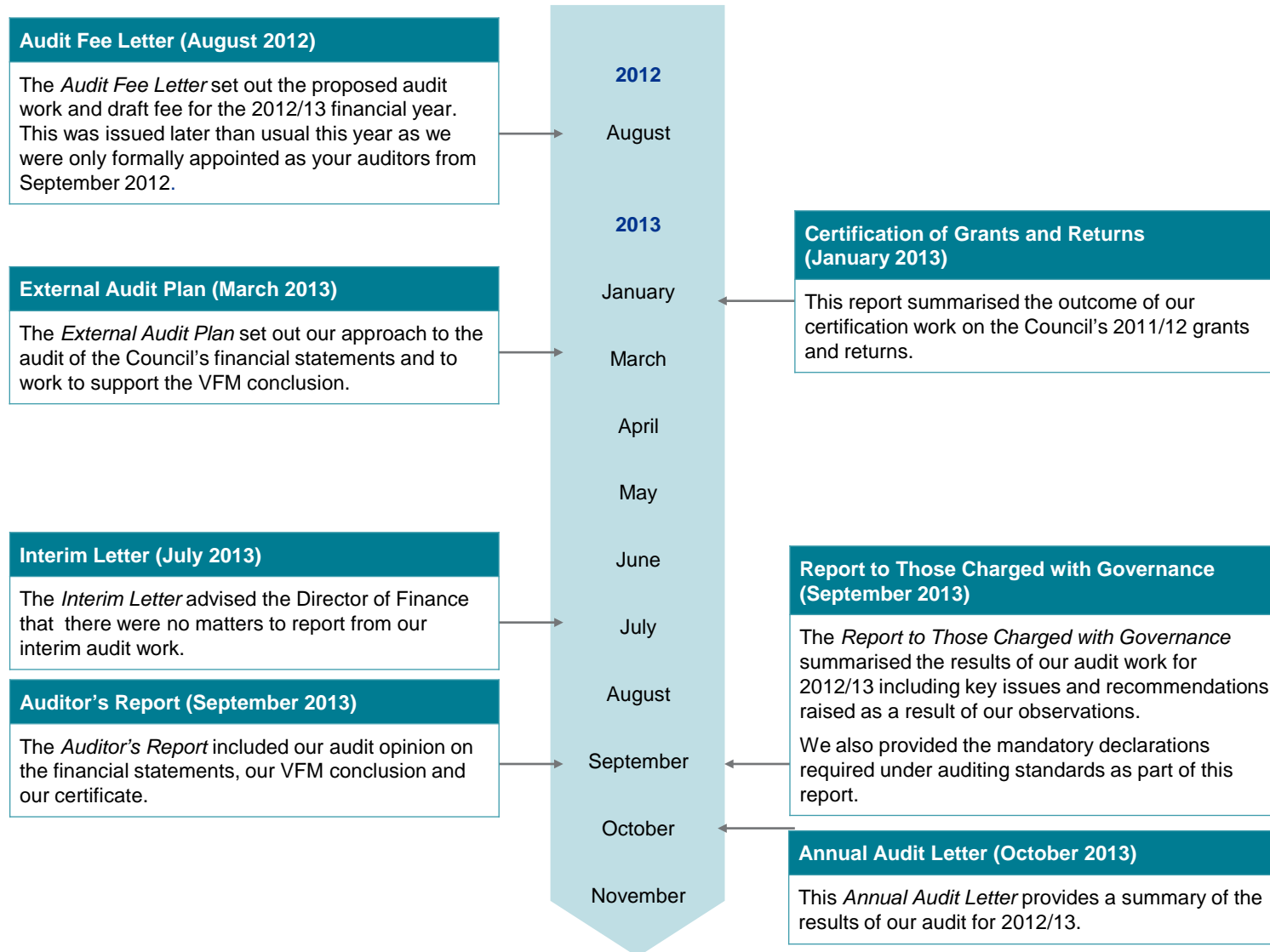
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 30 September 2013. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the Authority's Group, which consists of the Authority itself and St Leger Homes of Doncaster Limited, Doncaster Racecourse Management Company Limited and DRL.</p>
Financial statements audit	<p>The underlying processes for producing the draft accounts, and the associated detailed records and working papers, were better than last year. This continued the pattern of improvement we have seen over the last three years.</p> <p>However, our audit identified the need for significant corrections to seven areas of the draft accounts before we could give our opinion. The changes did not affect the Authority's financial health, but seen to be caused by the shortage of time available to finance staff in the latter stages of preparing and quality-checking the draft statements.</p> <p>We have made a recommendation later in this Letter.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. After making amendments that flowed from the changes to the financial statements referred to above, we reported that the Authority's pack was consistent with the audited financial statements.</p>

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

<p>Significant recommendations</p>	<p>We have made four recommendations as a result of our 2012/13 audit work on the issues referred to earlier in this Letter . They are:-</p> <ul style="list-style-type: none"> ■ Digital Region Limited. <i>The Authority should commission a full independent review of the Digital Region project to identify the lessons that should be learned. The review should be carried out as soon as possible and jointly with other stakeholders.</i> ■ Digital Region Limited. <i>The Authority should ensure it has appropriate arrangements in place to manage the closure of Digital Region Limited and to minimise the financial impact on the Authority.</i> ■ Medium term financial planning. <i>The Authority should ensure that it develops savings plans to meet the full budget gap of £109m identified for financial years up to 2016/17.</i> ■ Preparation of the financial statements. <i>Ensure that quality assurance procedures linked to the production of the financial statements are sufficiently resourced to enable timely delivery.</i> <p>The Authority has accepted these recommendations.</p>
<p>Certificate</p>	<p>We issued our certificate on 30 September 2013.</p> <p>The certificate confirms that we have concluded the audit for 2012/13 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>
<p>Audit fee</p>	<p>Our fee for 2012/13 was £229,065, excluding VAT. These fees include the scale fee of £218,322 and fees for additional work of £10,743. These compare to a scale fee of £363,870 for 2011/12. Further detail is contained in Appendix 3.</p>

Appendix 2: 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 2012/13.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

Our final fee for the 2012/13 audit of the Authority was £229,065. This is an overall reduction of 36% percent on the comparative total fee for 2011/12 of £363,070. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

The final fee compares to a planned fee of £218,322. The reasons for this variance are:

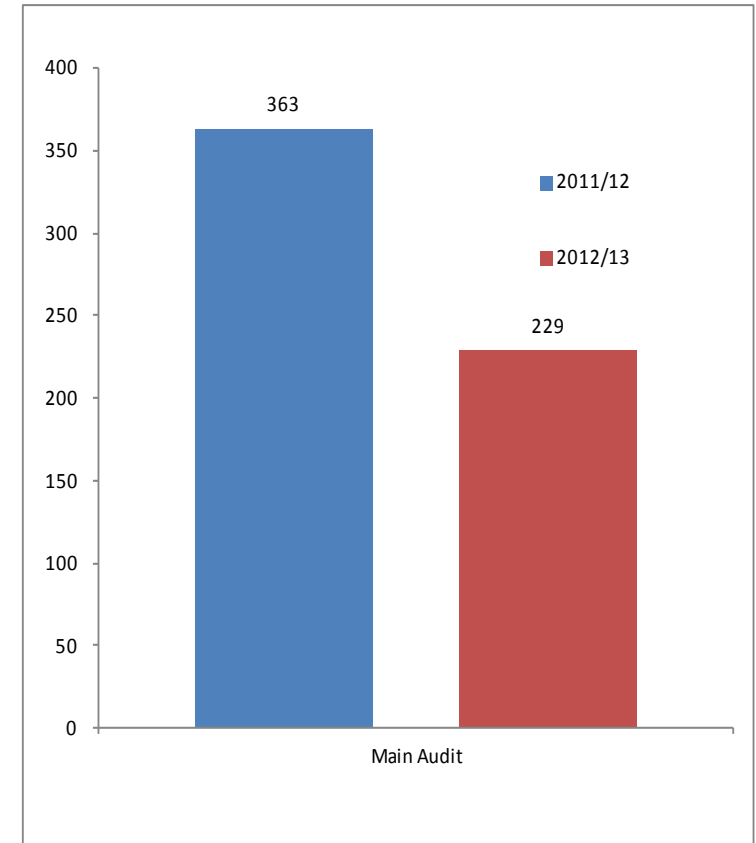
- an increased fee for the audit of the financial statements reflecting additional costs incurred in carrying out the final accounts over and above our initial estimate as at August 2012 as well as additional costs connected to our consideration of the impact on our value for money conclusion of the secretary of state's decision to direct the Council to outsource its Children's Service function; and
- additional work, which was not allowed for in our initial plan, which included additional costs incurred in considering the impact on the Council's financial statements and on our value for money conclusion of the Council's decision (in conjunction with its partner SY Metropolitan Councils) to terminate its arrangement with Digital Region Ltd to provide broadband across South Yorkshire; and
- additional work to review information brought to our attention by a member of the public.

Our fees are 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 2012/13* which we are due to issue in January 2014.

External audit fees 2012/13 (£'000)





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