

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

KPMG EXTERNAL AUDIT PLAN 2013/14

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 conclusion for the 2013/14 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 2013/14.

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 'value for money' or VfM conclusion).
7. There are no significant changes to the accounting standards and financial reporting framework in 2013/14. Based on initial planning work, KPMG have identified one significant risk for the audit of the financial statements. This is in respect of the Council's implementation of the new ERP system effective on 30th September. KPMG IT specialists will undertake a review of the implementation of

the system including project management, system configuration and interfaces, data migration and access controls.

8. They have also highlighted three significant audit risks in their initial risk assessment for the VfM conclusion. These are in respect of the following
- Saving plans;
 - Digital Region Limited; and
 - Children’s Services

Further details on these and the impact on audit are provided in section 5 of the Plan.

9. The main year end audit is currently planned to commence on 30th July 2014. An interim visit is scheduled to commence late February 2014 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.

OPTIONS CONSIDERED & RECOMMENDED OPTION

10. 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

11. 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

12. 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.

Materiality for planning purposes, based on the 3% of gross income in 2012/13, is estimated to be set at £23 million.

LEGAL IMPLICATIONS

13. 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

14. The proposed fee for this work for the 2012/13 audit is £218,322. This is the same as the planned 2012/13 fee and represents a 40% reduction on the 2011/12 audit fee of £363,870.
15. 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

16. 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

17. None

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