

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

**INTERIM AUDIT REPORT 2013/14**

**EXECUTIVE SUMMARY**

1. This report presents KPMG's interim audit report for the 2013/14 financial year summarising the key findings arising from the interim audit work in relation to the 2013/14 financial statements and work supporting the 2013/14 value for money (VfM) conclusion to June 2014.
2. The interim audit covered the planning and control evaluation stage of the audit process and included a review of the Council's general control environment, including testing of certain controls over key financial systems; IT systems and implementation of the ERP system; and review of the accounts production process, including work to address prior year audit recommendations and the specific risk areas identified by audit for this year.
3. KPMG also completed some initial work in response to the risks identified during their interim visit.

**EXEMPT REPORT**

4. Not applicable

**RECOMMENDATION**

5. Members are requested to note the findings and recommendations arising from the interim audit work as detailed in the appendix to this report.

**BACKGROUND**

**Organisational and IT Control Environment**

6. As part of the interim audit work, KPMG reviewed the impact of the ERP project and have been able to obtain assurance that the majority of the required steps required for such a project were established. However, a number of improvements for future projects have been identified.

**Controls over key financial systems**

7. KPMG reviewed the controls over those systems deemed significant for the accounts and noted some issues in respect of individual financial systems, including bank reconciliation and bespoke reports produced direct from the

ERP system.

8. These recommendations are summarised in the appendix to this report.

### **Accounts production process and financial statements risk assessment**

9. As part of their interim work KPMG specifically reviewed the Council's progress in addressing the recommendations in the ISA 260 Report 2012/13.
10. The Council has incorporated a number of measures into its closedown plan to further improve the project management of this complex process. This included a more robust peer review of all working papers. The overall process for the preparation of our financial statements has been assessed as adequate. The Council has made good progress in implementing the recommendations in the ISA 260 Report 2012/13 relating to the financial statements.
11. The year-end planning process and timetable have been reviewed to ensure that there were both sufficient and appropriate resources were in place. Working papers were reviewed by 27<sup>th</sup> June enabling proof reading and overall quality assurance checks on the draft Statement of Accounts by 30<sup>th</sup> June.

### **Specific audit risk areas**

12. The External Audit Plan 2013/14 identified the key audit risks affecting the Council's 2013/14 financial statement. These have been discussed between KPMG and finance officers within the Council as part of the monthly audit liaison meetings with a review of the relevant workings and evidence and agreement of the accounting treatment as part of the interim work. The Council has a clear understanding of the risks and is making progress in addressing them. However, these still present significant challenges that require careful management and focus. KPMG will revisit these areas during the final accounts audit beginning at the end of this month.

### **Specific VfM risks**

13. KPMG identified a number of risks to their VFM conclusion at the planning stage. These included savings plans; Digital Region Limited; and the new Children's Services Trust. KPMG have undertaken some work to date to assess the Council's approach to managing these risks and will report their final conclusions in their ISA 260 Report 2013/14.

### **OPTIONS CONSIDERED**

14. The Council must comply with agreed recommendations and actions in order to achieve a clean, unqualified audit opinion on its Statement of Accounts.

## IMPACT ON THE COUNCIL'S KEY OBJECTIVES

15. These are detailed in the table below:-

<b>Doncaster Priorities</b>	<b>Implications of this initiative</b>
A Prosperous Place	All the priorities of the Council are addressed as part of the budget setting process and the Statement of Accounts and audit opinion on the accounts is an outcome of that process.
Skills & Lifelong Learning	
Healthy & Caring	
Safer, Cleaner & Greener	
Equality of Opportunity (Cross-Cutting)	
Improving Neighbourhoods Together (Cross-cutting)	
Protecting The Environment (Cross-cutting)	

## RISK AND ASSUMPTIONS

16. These are detailed in the appendix to this report.

## LEGAL IMPLICATIONS

17. Section 27 of the Audit Commission Act 1998 specifies that the Secretary of State may, by regulations applying to bodies subject to audit other than health service bodies, make provision with respect to the form, preparation and certification of accounts and of statements of accounts.
18. The Accounts and Audit (England) Regulations 2011 under regulation 8(2) provides that the Council's responsible financial officer must certify the Statement of Accounts, as soon as is reasonably practicable and, in any event, before 30<sup>th</sup> June immediately following the end of a year.

## FINANCIAL IMPLICATIONS

19. The Council's Accounts are prepared in line with the Accounts and Audit (England) Regulations 2011 and International Financial Reporting Standards.

## CONSULTATION

20. This report has significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

## CONCLUSIONS

21. The interim audit report is presented to members for their noting. A report will be presented by KPMG to this Committee on 23<sup>rd</sup> September setting out the result of the final audit in the form of their ISA 260 Report, the 'Communication With Those Charged with Governance' report for 2013/14 (formerly the Annual Governance Report).

Contact Officer: Steve Mawson, Assistant Director of Finance and Performance Tel. 737650

Report Author: Mick Wildman, Technical Accounting Manager, Financial Management Tel. 737160

Background Papers: Accounts and Audit (England) Regulations 2011  
ISA 260 Report 2012/13

**Simon Wiles**  
**Director of Finance and Corporate Services**