

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

**STATEMENT OF ACCOUNTS 2013/14**

**EXECUTIVE SUMMARY**

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2013/14 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The ISA 260 report (Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally has to be done by 30<sup>th</sup> September. The external auditor expects to issue an unqualified opinion on the Council's financial statements for 2013/14.
3. Overall the ISA 260 report is an extremely positive one and it recognises the year-on-year improvements made by the Council in preparing the Statement of Accounts for audit. The quality of the working papers and the supporting information has improved year-on-year with the working papers, once again, meeting the standards specified in the Accounts Audit Protocol.

**RECOMMENDATIONS**

4. It is recommended that the Audit Committee
  - Note the action that is proposed in relation to amendments to the accounts as covered in the ISA 260 report;
  - Note the contents of the external audit ISA 260 report;
  - Consider the Letter of Representation and endorse its contents; and
  - Approve the Statement of Accounts 2013/14.

**BACKGROUND**

5. The Council's 2013/14 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) accounting standards and the appropriate accounting codes of practice and were approved by the Council's Responsible Finance Officer on the 30<sup>th</sup> June and published on the Council's website on 1<sup>st</sup> July, both dates being within statutory deadlines.
6. The draft accounts were subsequently presented to this Committee for information on 17<sup>th</sup> July 2014. KPMG were presented with these draft financial statements on 1<sup>st</sup> July and detailed working papers were provided to KPMG during the week commencing 21<sup>st</sup> July. The audit of the accounts commenced on 28<sup>th</sup> July.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

7. An unqualified audit opinion on the Council's financial statements indicates that there are excellent internal controls in place safeguarding Council resources.

## **OUTCOMES OF THE AUDIT**

8. Since 28<sup>th</sup> July the audit has been undertaken and included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. This has resulted in findings and conclusions contained in the ISA 260 report.
9. During the audit of the accounts KPMG have not identified any adjustments affecting the Council's financial performance or financial position and this is a significant improvement from previous years.
10. KPMG have identified a number of presentational changes and three errors that have been corrected, none of which have changed the financial results previously reported in the draft financial statements (those published on 1<sup>st</sup> July) or the outturn position as reported to Cabinet (on 18<sup>th</sup> June).
11. The accounts were made available for public inspection for 20 working days (in accordance with the Accounts and Audit (England) Regulations 2011) from Tuesday, 22<sup>nd</sup> July during which members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes.
12. It should be noted that this is the first closedown undertaken using the new ERP system (which was implemented on 30<sup>th</sup> September 2013) and it is a testament to the continuing professionalism of all staff engaged in the accounts production process that the number of adjustments required to this year's financial statements is so low. This also reflects the benefit of officers taking a proactive role in identifying potential risks so that a dialogue could take place with audit at an early stage to discuss and seek agreement on significant/complex accounting issues affecting the year's accounts.
13. KPMG intends to issue a positive Value for Money (VfM) conclusion stating that the authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources although there is an explanatory paragraph to draw attention to the Secretary of State's statement about our Children's Services. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed improved governance arrangements in the Council.
14. The Letter of Representation (see Appendix B) requires endorsement by the Committee as an important final stage in the audit of the Council's 2013/14 Statement of Accounts. The letter is from the Director of Finance and Corporate Services to the external auditor as an assurance from management that the accounts have been prepared correctly and to bring to the auditors' attention any

further matters that need to be taken into account prior to their opinion being issued.

15. It should be noted that Government proposals are to bring forward the existing dates of 30<sup>th</sup> June and 30<sup>th</sup> September to 31<sup>st</sup> May and 31<sup>st</sup> July as from the accounts for 2017/18 for the accounts to be signed by the Responsible Finance Officer and then approved and published. The continued improvements in the quality of working papers and supporting information have resulted in this year's audit progressing more smoothly and in a more timely fashion than in previous years and it is expected that the timescales for the production and audit of the accounts can be sufficiently reduced over the next three years to comply with these new requirements.

## OPTIONS CONSIDERED

16. The Council is subject to statutory external audit and performance evaluation by KPMG and must prepare annual accounts.

## IMPACT ON THE COUNCIL'S KEY OBJECTIVES

17.

<b>Priority</b>	<b>Implications</b>
We will support a strong economy where businesses can locate, grow and employ local people. <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Be a strong voice for our veterans</i></li> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	The unqualified audit opinion of KPMG on the Council's financial statements assists with our positive reputation and the organisational assessment of the Council.
We will help people to live safe, healthy, active and independent lives. <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	
We will make Doncaster a better place to live, with cleaner, more sustainable communities. <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	
We will support all families to thrive. <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	
We will deliver modern value for money services.	
We will provide strong leadership and governance, working in partnership.	

## RISK AND ASSUMPTIONS

18. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them.

Risks/Assumptions	Probability	Impact	Action taken
Robustness of correct outturn figure	Low	Medium	<ul style="list-style-type: none"> <li>Work has been undertaken during monitoring and closedown process to process all transactions, and prepare for audit. This has included increases in quality control and checks.</li> </ul>
The audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	<ul style="list-style-type: none"> <li>Continuous dialogue with KPMG throughout the year</li> <li>Specific discussions on key complex areas as part of the regular audit liaison meetings.</li> </ul>

## LEGAL IMPLICATIONS

19. The Council is subject to statutory external audit and performance evaluation by KPMG.

## FINANCIAL IMPLICATIONS

20. The audit fee budget is managed by the Director of Finance and Corporate Services and this review is included in the planned expenditure for the 2013/14 audit.

## HUMAN RESOURCES IMPLICATIONS

21. There are no Human Resources implications contained within this report.

## EQUALITY IMPLICATIONS

22. There are no equality implications contained within this report.

## CONSULTATION

23. This report has no 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

## **BACKGROUND PAPERS**

24. Draft Statement of Accounts 2013/14;  
Code of Practice on Local Authority Accounting based on IFRS for 2013/14  
ISA 260 report 2013/14; and  
Accounts and Audit (England) Regulations 2011

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