

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

KPMG, ANNUAL AUDIT LETTER 2013/14

EXECUTIVE SUMMARY

1. This report refers to KPMG's Annual Audit Letter for 2013/14, which is attached to this report and is presented to the Audit Committee for its consideration and comment.
2. The Annual Audit Letter signifies the formal sign off of the audit to the Audit Committee. In signing-off the audit, the letter confirms the external auditor:
 - issued an unqualified opinion on the Council's core financial statements and associated disclosure notes included in the Council's 2013/14 Statement of Accounts;
 - concluded that the Council made appropriate arrangements to secure financial resilience and economy, efficiency and effectiveness in the use of its resources; and
 - issued an audit certificate to demonstrate that the full requirements of both the Audit Commission's Code of Audit Practice and the Audit Commission Act 1998 have been discharged for the year.

RECOMMENDATION

3. The Audit Committee is asked:
 - a) To note the contents of Annual Audit Letter;
 - b) To note progress made by the Council in implementing previous audit recommendations; and
 - c) To note the overall significant and positive progress made by the Council.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. An unqualified audit opinion on the Council's financial statements indicates that there are excellent internal controls in place safeguarding Council resources.
5. A good Value for Money conclusion indicates that the Council has proper arrangements in place to secure financial resilience and economy, efficiency and effectiveness in the use of its resources adding value to the Council in managing its finances and assisting in improving services provided to the citizens of the borough.

BACKGROUND

6. Members of the Committee should note that the Council has made further improvements, once again, in the timeliness, accuracy and quality of the final accounts work and supporting papers. There has been a significant improvement in standards and performance in producing and publishing the audited Statement of Accounts over the last five years.
7. The 2013/14 Statement of Accounts, similar to last year, received an unqualified audit opinion with the audit certificate being issued before the statutory deadline. This means that audit believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year. The audit identified one material misstatement as a result of a typographical error and a small number of minor presentational adjustments.
8. The Council also received a clean Value for Money conclusion. The assessment recognises the significant progress that the Council has made in the last few years.
9. The previous year's significant risks have all been addressed with appropriate procedures now in place although there remains the one medium priority recommendation to finalise work on developing and approving savings plans for 2015/16 by the end of December 2014.

OPTIONS CONSIDERED AND REASONS FOR RECOMMENDED OPTION

10. This is not applicable.

IMPACT ON THE COUNCIL'S KEY PRIORITIES

- 11.

Priority	Implications
We will deliver modern value for money services.	The audit assessment shows that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources assisting in improving services provided to citizens of the borough
We will provide strong leadership and governance, working in	The Annual Audit Letter demonstrates that the Council has

partnership.	good financial governance arrangements in place
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RISKS & ASSUMPTIONS

12. The Annual Audit Letter is reporting on the management of risks by the Council. It is important that effective action is taken in response to any matters raised by the external auditor following their audit so as to assure the Committee about effective risk management across the Council.
13. A progress report against the recommendation as noted in the Annual Audit Letter will be presented to a future Audit Committee.
14. Consideration of this letter from KPMG is a risk management activity.

LEGAL IMPLICATIONS

15. The Council is subject to statutory external audit. It has obligations to ensure that it's financial and governance affairs are dealt with adequately and in an appropriate manner.

FINANCIAL IMPLICATIONS

16. The final fee for the 2013/14 audit was £234k. The planned fee for 2013/14 was £218k. The resulting variance of £16k (7.2%) was in respect of additional work in respect of the following:
 - ERP (financial) system
Testing of the transition to the new ERP system by computer auditors and the local audit team, plus testing of both systems (£5k)
 - VFM Conclusion, Children's Services
Review of arrangements and consideration of whether a qualified VFM conclusion may be required (2k)
 - Additional procedures required as a result of there being no certification of the National Non-Domestic Rates (NNDR) return (previously audit would have relied on their work on the NNDR return) (£1k)
 - The Council's share of the audit review of the lessons learnt from our investment in broadband through Digital Region Limited (£8k).
17. The comparable audit fees for 2012/13 and 2011/12 were £229k (which included £11k for additional work) and £364k respectively.

HUMAN RESOURCE IMPLICATIONS

18. Not applicable

EQUALITY IMPLICATIONS

19. Not applicable

CONSULTATION

20. Not applicable

BACKGROUND PAPERS

21. 2013/14 Statement of Accounts
2013/14 Annual Governance Statement

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