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Annual Audit Letter 2013/14

**Doncaster Metropolitan Borough
Council**

30 October 2014



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This report is addressed to the Council and has been prepared for the sole use of the Council. 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.audit-commission.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 Council, 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 0303 4448 330.

This report summarises the key findings from our 2013/14 audit of Doncaster Metropolitan Borough Council (the Council).

Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Council's 2013/14 financial statements and the 2013/14 VFM conclusion.

VFM conclusion

We issued an unqualified conclusion on the Council's arrangements to secure value for money (VFM conclusion) for 2013/14 on 30 September 2014. This means we are satisfied that 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.

While our assessment reflects 2013/14, we also considered it important to recognise the significant progress that the Council has made in the last few years:

- A Local Government Association peer review in July 2014 reported that the Council is functioning well, with the exception of children's services and is no longer an outlier on performance.
- Their report has led to the ending of the external Recovery Board which has been in place since 2010.
- The Finningley and Rossington Regeneration Route Scheme is on schedule to improve access to the local airport and increase inward investment on the £400m inland Port and new housing. The support and co-operation of the Council's key partners in Sheffield City Region was also an important step forward in achieving this development.
- Approval has been given to the final phase which involves a dual carriageway from Parrots Corner to Doncaster Robin Hood Airport which will further reduce journey times and increase the catchment area within one hour's access. These are important developments, although a direct rail link would still be needed to maximise the full potential of the airport.
- In September 2014 Doncaster, along with Birmingham, was selected by the government to host the new HS2 College, recognising the wealth of engineering and rail expertise in Doncaster.
- The Mayor has shown commitment and determination, with political and staff support, to achieve progress for the people of Doncaster while also addressing the financial challenges presented by reduced national funding which is affecting all local authorities. She is fully aware that there are still many key areas on which further progress is required.
- Internally, the replacement of the Council's key financial systems has also shown a noticeable improvement in the production of its annual accounts. Further benefits are expected when the full range of reporting requirements is implemented, although resource constraints have restricted progress to date.

We recognise that the savings required have meant that some difficult decisions have had to be made and that many people will have lost jobs and suffered cuts in services as a consequence. The effects of such cuts can only be minimised by working differently and seeking growth in other ways, primarily by encouraging and working with the private and voluntary sectors. The schemes above will move Doncaster in that direction and it is important to fully develop the opportunities that they present.

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

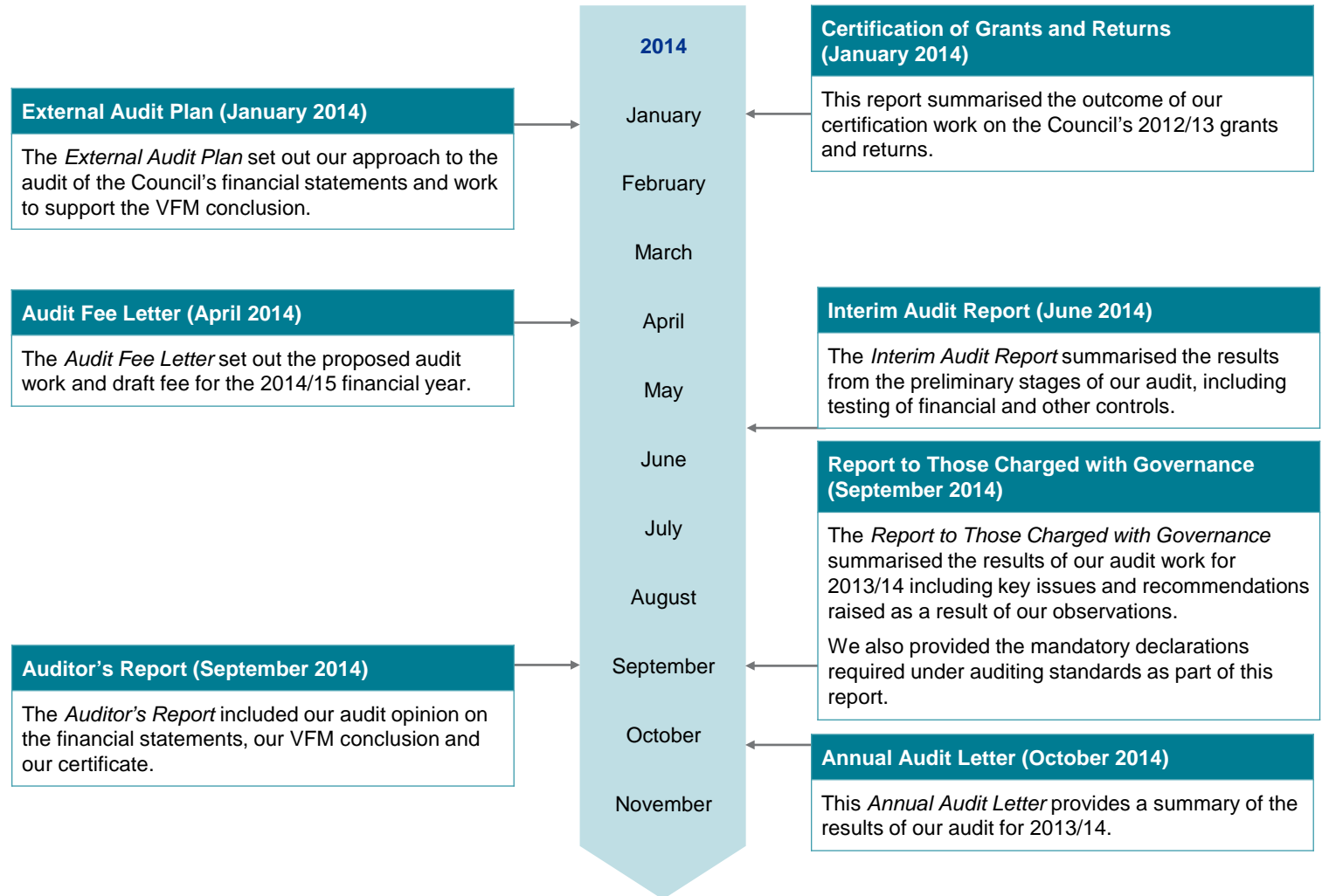
<p>VFM risk areas</p>	<p>We identified three significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> ■ Digital Region Limited – are appropriate arrangements in place to reduce the financial impact on the Council from the closure of the company; ■ Saving plans for reduction in funding – recognising the significant savings that are required over the next few years, are appropriate arrangements in place to maintain sound financial standing; and ■ Children's Services – are appropriate arrangements in place to ensure the successful transfer of Children's Services from the Council to the newly created Trust. <p>We are satisfied that the Council has appropriate procedures in place to address the VFM risks in these areas, although the Council was still completing its work on developing and approving savings plans for 2015/16 and beyond. A medium priority recommendation was made to finalise savings plans for 2015/16 by 31 December 2014.</p>
<p>Audit opinion</p>	<p>We issued an unqualified opinion on your financial statements on 30 September 2014. This means that we 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 financial statements also include those of the Council's Group, which consists of the Council itself and St Leger Homes of Doncaster Limited, Doncaster Racecourse Management Limited and Digital Region Limited.</p>
<p>Financial statements audit</p>	<p>As a result of our audit work, we identified one material misstatement. The carrying value of Financial Liabilities disclosed within Note 16 Financial Instruments was understated by £100m due to a typographical error.</p> <p>Before we began our audit, Council officers identified two significant differences:</p> <ul style="list-style-type: none"> ■ Grant received in advance of £7.7m was incorrectly disclosed as Short Term Creditors. ■ Within the Group Accounts Cashflow Statement, the deficit on the provision of services from St Leger Homes Ltd was overstated by £2.5m. <p>In addition we identified a small number of minor presentational adjustments. The Council addressed all adjustments where significant.</p>
<p>Annual Governance Statement</p>	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</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.

Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Council's pack was consistent with the audited financial statements.</p>
High priority recommendations	<p>We raised no high priority recommendations as a result of our 2013/14 audit work. One medium priority recommendation we made has been outlined on page 3.</p>
Certificate	<p>We issued our certificate on 30 September 2014.</p> <p>The certificate confirms that we have concluded the audit for 2013/14 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>
Audit fee	<p>Our total fee for 2013/14 should be £234,075 excluding VAT, subject to Audit Commission approval. This is £15,753 (7.2%) more than the planned scale fee of £218,322 and was due to the need to carry out additional work relevant to our audit and one item of non-audit work.</p> <p>Further information in respect of the fees is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fee for 2013/14.

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 2013/14 planned audit fee.

External audit

Our final fee for the 2013/14 audit is expected to be £226,575. This compares to a planned fee of £218,322. The reasons for this variance are:

- ERP (financial) system – testing of in year transition to new system by computer auditors and local audit team, plus testing of both systems to cover the full financial year. Fee was £4,764 plus VAT.
- VFM Conclusion – Children’s Services – review of arrangements and consideration of whether a qualified VFM conclusion may be required. Fee was £2,019 plus VAT.
- in 2013/14, as a result of there being no certification of the National Non-Domestic Rates (NNDR) return, we were required to carry out additional procedures on our audit of the statement of accounts (previously we would have relied on the work we did on the NNDR return). The fee for this additional work amounts to £1,470 (excluding VAT).

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 2013/14* which we are due to issue by January 2015.

Other services

We also charged £7,500 plus VAT to the Council for its share of the South Yorkshire review of the lessons to be learned from the investment in broadband through Digital Region Limited.

Total fees for 2013/14 should therefore be £234,075 plus VAT.



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