

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

KPMG EXTERNAL AUDIT PLAN 2014/15

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 2014/15 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 2014/15.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. An unqualified audit opinion on the Council's financial statements and a good VfM conclusion would indicate that there are excellent internal controls in place safeguarding Council resources.

BACKGROUND

5. The External Audit Plan covers how the audit is performed in terms of the risks identified, key deliverables, timeline and fees for the audit.
6. 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.
7. The Code of Practice covers two main responsibilities requiring KPMG to review and report on the Council's
 - Key financial statements and audit risks 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).

8. There are no significant changes to the accounting standards and financial reporting framework in 2014/15. Based on initial planning work, KPMG have identified no significant risks for the audit of the financial statements.
9. They have highlighted two significant audit risks in their initial risk assessment for the VfM conclusion. These are in respect of the following
 - Children’s Trust;
and
 - Savings plans

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

10. The main year end audit is currently planned to commence on 20th July and conclude on 29th August 2015. An interim visit took place early March when KPMG evaluated and tested controls over key financial systems identified as part of our risk assessment; reviewed the accounts production process; and reviewed progress on critical accounting matters. There were no significant issues to report.

OPTIONS CONSIDERED & RECOMMENDED OPTION

11. 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

12. This external audit work has the following significance.

Priority Theme	Implications of this initiative
We will deliver modern value for money services	An unqualified opinion from KPMG on the financial statements and good VfM conclusion would assist with the positive reputation of the Council and ensure that strong governance is in place
We will provide strong leadership and governance, working in partnership.	

RISKS & ASSUMPTIONS

13. 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 2% of gross expenditure in 2013/14, is estimated to be set at £14 million.

LEGAL IMPLICATIONS

14. 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

15. The proposed fee for this work for the 2014/15 audit is £219,792.
16. 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

17. 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

18. None

REPORT AUTHOR & CONTRIBUTORS

Michael Wildman, Technical Accounting Manager, Corporate Finance
Tel 737160
e-Mail – michael.wildman@doncaster.gov.uk

Simon Wiles
Director of Finance and Corporate Services