

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

EXTERNAL AUDITOR (KPMG) ANNUAL AUDIT LETTER 2016/17

EXECUTIVE SUMMARY

1. The External Auditor Annual Audit Letter for 2016/17 has been issued by KPMG and is attached at Appendix A. 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: -
 - a. issued an unqualified opinion on the Council's core financial statements and associated disclosure notes included in the Council's 2016/17 Statement of Accounts;
 - b. concluded that the Council made appropriate arrangements to secure financial resilience and economy, efficiency and effectiveness in the use of its resources; and
 - c. 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.

EXEMPT REPORT

2. Not applicable.

RECOMMENDATIONS

3. It is recommended that the Audit Committee: -
 - a. Note the contents of the Annual Audit Letter.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. An unqualified audit opinion on the Council's financial statements and a good Value for Money (VfM) conclusion resulting from the annual audit process indicates that there is excellent internal control in place safeguarding Council resources.

BACKGROUND

5. The Council's 2016/17 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the appropriate accounting codes of practice. They were approved by the Council's responsible financial officer on the 1st June 2017 and published on the Council's website on 2nd June 2017. The draft accounts were presented to this Committee for information on 21st June 2017 with the audited accounts being presented to this Committee on 27th July 2017.
6. The 2016/17 Statement of Accounts received an unqualified audit opinion on 7th August 2017 with the audit certificate being issued on 28th September 2017. This means that KPMG have concluded that 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.
7. There was an adjusted audit difference regarding Consolidated Accounts. The Council has not consolidated the subsidiary company of St Leger Homes of Doncaster (SLHD) since 2014/15 on the grounds of materiality. The SLHD pension liability increased significantly from £19.1m in the 2015/16 accounts to £41.7m in 2016/17. This information is not available until mid-April and therefore we were unable to initially discuss with KPMG and agree whether or not consolidated accounts were required. Following ongoing consultation with KPMG it was confirmed that a consolidated set of accounts would need to be prepared to include the results of SLHD. KPMG have noted that the Council were proactive in raising this issue with them as early as possible and were able to produce a set of consolidated accounts in a relatively short timescale ensuring minimal delays to the audit process. The audit also identified a number of presentational audit adjustments, all of which were amended in the financial statements.
8. KPMG issued the Council with an unqualified VfM conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.
9. There are no high priority recommendations resulting from the 2016/17 audit work and only two medium priority recommendations regarding IT User Documentation and Processing around the e5 financial ledger, Universal Housing and Northgate and the standardisation of valuation certificates used when valuing Council assets. These will be implemented during 2017/18.

OPTIONS CONSIDERED

10. Not applicable.

REASONS FOR RECOMMENDED OPTION

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

IMPACT ON THE COUNCIL'S KEY OUTCOMES

12. These are detailed in the table below: -

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p> <p>An unqualified audit opinion from KPMG on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	
	<p>Working with our partners we will provide strong leadership and governance.</p>	

RISKS AND ASSUMPTIONS

13. 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 KPMG following their audit so as to assure the Committee about effective risk management across the Council. Consideration of this letter from KPMG is a risk management activity.

LEGAL IMPLICATIONS

14. The Council is subject to statutory external audit and performance evaluation by KPMG who have 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.

FINANCIAL IMPLICATIONS

15. The final fee for the 2016/17 audit was £164,844; for grant certification was £34,035; and for other work £3,200. This was in accordance with the planned fee.

HUMAN RESOURCES IMPLICATIONS

16. There are no specific Human Resources implications related to the contents of this report.

TECHNOLOGY IMPLICATIONS

17. There are no specific Technology implications related to the contents of this report.

EQUALITY IMPLICATIONS

18. This report has no specific equality implications.

CONSULTATION

19. This report has no significant consultation implications.

BACKGROUND PAPERS

20. Statement of Accounts 2016/17
Annual Governance Statement 2016/17
ISA 260 Report 2016/17

REPORT AUTHOR & CONTRIBUTORS

Robert Isaac, Financial Planning & Control Manager
☎ 01302 737983 ✉ robert.isaac@doncaster.gov.uk

Steve Mawson
Chief Financial Officer
& Assistant Director - Finance