



# Doncaster Council

## Report

---

**Date: 26th July, 2018**

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

**STATEMENT OF ACCOUNTS 2017/18  
ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE**

**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 2017/18 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The 'Communication with those charged with governance' report (ISA 260 report attached as 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 31<sup>st</sup> July.
3. The external auditor (KPMG) expects to issue an unqualified audit opinion on the Council's financial statements for 2017/18; subject to all outstanding queries being resolved to their satisfaction.
4. KPMG also expects to issue an unqualified Value For Money (VfM) conclusion for 2017/18.
5. Overall the ISA 260 report is an extremely positive one, with two adjusted audit differences. The ISA 260 report details that overall good quality working papers with a clear audit trail were provided and generally responses to audit queries were provided timely.
6. Attached to this report is the draft ISA 260 report. A final version of the ISA 260 report will be presented at the Audit Committee along with any relevant verbal updates.

7. The Chief Financial Officer & Assistant Director – Finance, as the responsible financial officer, re-confirms on behalf of the Council that he is satisfied that the statement of accounts presents a true and fair view of: -
  - a. the financial position of the Council at the end of the 2017/18 financial year; and
  - b. the Council's income and expenditure for the 2017/18 financial year.

## **EXEMPT REPORT**

8. Not applicable.

## **RECOMMENDATIONS**

9. It is recommended that the Audit Committee: -
  - a. Note the contents of the external audit ISA 260 report;
  - b. Consider the Letter of Representation and endorse its contents; and
  - c. Approve the Statement of Accounts 2017/18.

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

10. An unqualified audit opinion on the Council's financial statements and a good VfM conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

## **BACKGROUND**

### Preparation of the Accounts

11. The Council's 2017/18 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 and published on the Council's website on the 31<sup>st</sup> May. This was in line with the statutory deadline of 31<sup>st</sup> May.
12. The draft accounts were presented to this Committee for information on 21<sup>st</sup> June 2018. KPMG were presented with these draft accounts on 1<sup>st</sup> June 2018.

### Outcomes of the Audit

13. The external audit began on 1<sup>st</sup> June and included examination 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 Council 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 the findings and conclusions contained in the ISA 260 report.
14. Throughout the audit process the Council's Financial Management team

have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion.

15. KPMG did not identify any material misstatements. This is a testament to the knowledge and expertise of all staff engaged in the final accounts process. This reflects the benefit of key finance officers taking a proactive role in identifying potential risks so that a dialogue can take place with KPMG at an early stage to discuss and seek agreement on significant and often highly complex, accounting issues affecting the year's accounts.
16. There were two adjusted audit differences regarding audit fees and a valuation. The external audit fees note 32 was a presentational amendment to correct the classification of pooling capital receipts work. A revaluation for a school used 2012 figures for Modern Equivalent Asset (MEA) valuation basis. When updated to use 2017 MEA values, a difference of £896,000 was identified. This has been adjusted for. All properties valued on MEA basis by the valuer who made the error were checked and no further errors were identified.
17. KPMG have made two recommendations this year: both Medium priority. One of the recommendations is the same issue as highlighted in the 2016/17 report regarding Universal Housing password controls. The other recommendation relates to the contract with Link Asset Services for Treasury consultancy services. These are detailed in the ISA 260 report pages 21 to 22.
18. In the previous year, KPMG raised three recommendations which were reported in the External Audit Report 2016/17 (ISA 260). The Council has successfully implemented two of the recommendations regarding Housing Benefits Overpayments Reports and Reconciliations. The remaining recommendation regarding IT User Documentation and Processing around the e5 financial ledger, Universal Housing and Northgate was implemented for e5 financial ledger and Northgate. Universal Housing is subject to a new recommendation. Further details are provided in the ISA260 report pages 23 to 24.
19. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Friday, 1<sup>st</sup> June 2018, 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. During this period no inspection visits were made.
20. KPMG intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. KPMG performed detailed work on two identified risks – Children's Services Trust Overspend and Adult Social Care Contracting – as well as work around VfM process in place across the Council. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.
21. The Letter of Representation requires endorsement by the Committee as an important final stage in the audit of the Council's 2017/18 Statement of Accounts. The letter is from the Chief Financial Officer & Assistant Director – Finance to KPMG and is 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. The letter will be presented at the Audit Committee along with

any relevant verbal updates.

## OPTIONS CONSIDERED

22. Not applicable.

## REASONS FOR RECOMMENDED OPTION

23. 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

24. These are detailed in the table below: -

|  | Outcomes  | Implications  |
|--|---|---|
|  | <p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"><li>• Better access to good fulfilling work</li><li>• Doncaster businesses are supported to flourish</li><li>• Inward Investment</li></ul>   | <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><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"><li>• The town centres are the beating heart of Doncaster</li><li>• More people can live in a good quality, affordable home</li><li>• Healthy and Vibrant Communities through Physical Activity and Sport</li><li>• Everyone takes responsibility for keeping Doncaster Clean</li><li>• Building on our cultural, artistic and sporting heritage</li></ul> |   |
|  | <p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"><li>• Every child has life-changing learning experiences within and beyond school</li><li>• Many more great teachers work in Doncaster Schools that are good or better</li><li>• Learning in Doncaster prepares young people for the world of work</li></ul>  |   |

|  |  |  |
|--|--|--|
|  | <p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>   |  |
|  | <p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul> |  |

## RISKS AND ASSUMPTIONS

25. 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: -

| <b>Risks / Assumptions</b>   | <b>Probability</b> | <b>Impact</b> | <b>Proposed Action</b>  |
|--|--------------------|---------------|---|
| Robustness of correct outturn figure   | Low                | Medium        | Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included an increase in senior officer quality assurance review and control; and internal verification and checks by finance and technical officers. |
| The Audit identifies a material / significant finding or inaccuracy in the production of the accounts. | Low                | High          | Continuous dialogue with KPMG throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings  |

## LEGAL IMPLICATIONS [Officer Initials...KDW...Date...18.07.18]

26. The Statement of Accounts is prepared in accordance with the appropriate regulations and the Council is subject to statutory external audit and performance by KMPG.

## **FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...16.07.18]**

27. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.
28. The audit fee budget is managed by the Director of Corporate Resources and this review is included in the planned expenditure for the 2017/18 audit.

## **HUMAN RESOURCES IMPLICATIONS [Officer Initials...MLV...Date...18.07.18]**

29. There are no specific HR implications relating to the contents of this report.

## **TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...18.07.18]**

30. As outlined above, KPMG have highlighted issues in both the 2016/17 and 2017/18 reports regarding Universal Housing password controls. This is considered to be low risk as the solution cannot be accessed without logging into the Council network, where good controls are in place. A procurement exercise is also currently underway for a new Integrated Housing Management Solution, the password controls for which will meet the requirements of IT security policies.

## **HEALTH IMPLICATIONS [Officer Initials...RS...Date...17.07.18]**

31. There are no direct health implications in this report. Effective audit and governance should contribute to improved health and wellbeing.

## **EQUALITY IMPLICATIONS**

32. This report has no specific equality implications.

## **CONSULTATION**

33. Not applicable.

## **BACKGROUND PAPERS**

34. Following background papers: -
  - Unaudited Statement of Accounts 2017/18 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
  - Accounts and Audit Regulations 2015
  - The Code of Practice on Local Authority Accounting 2017/18 ('The Code') - based on IFRS

## **REPORT AUTHOR & CONTRIBUTORS**

Robert Isaac, Financial Planning & Control Manager

☎ 01302 737983

🖱 [robert.isaac@doncaster.gov.uk](mailto:robert.isaac@doncaster.gov.uk)

**Steve Mawson  
Chief Financial Officer  
& Assistant Director – Finance**