



Doncaster Council

Report

Date: 25th October, 2018

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

EXTERNAL AUDITOR (KPMG) ANNUAL AUDIT LETTER 2017/18

EXECUTIVE SUMMARY

1. The External Auditor Annual Audit Letter for 2017/18 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 2017/18 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 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 31st May. This was in line with the statutory deadline of 31st May.
6. The draft accounts were presented to this Committee for information on 21st June 2018 and the audited accounts were presented to this committee on 26th July 2018.
7. The 2017/18 Statement of Accounts received an unqualified audit opinion on 31st July 2018 with the audit certificate being issued on 31st August 2018. 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
8. 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. These were adjusted for. All properties valued on MEA basis by the valuer who made the error were checked and no further errors were identified.
9. KPMG did not raise any high priority recommendations – there were 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.
10. KPMG issued the Council with an unqualified VfM conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

OPTIONS CONSIDERED

11. Not applicable.

REASONS FOR RECOMMENDED OPTION

12. 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

13. These are detailed in the table below: -

	Outcomes	Implications
	<p>Doncaster Working: 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"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<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>Doncaster Living: 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"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	
	<p>Doncaster Learning: 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"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life 	

	<p>focus on the needs and aspirations of residents</p> <ul style="list-style-type: none"> • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	
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RISKS AND ASSUMPTIONS

14. 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 [Officer Initials...SRF...Date...12.09.18]

15. 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 [Officer Initials...RI...Date...12.09.18]

16. The final fee for the 2017/18 audit was £164,844; for grant certification was £25,035 and for other work was £9,000. This was in accordance with the planned fee.

HUMAN RESOURCES IMPLICATIONS [Officer Initials...RH...Date...26.09.18]

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

TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...17.09.18]

18. 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...14.09.18]

19. There are no direct health implications in this report. Effective audit and governance should contribute to improved health and wellbeing by maximising the effectiveness of public spending.

EQUALITY IMPLICATIONS

20. This report has no specific equality implications.

CONSULTATION

21. This report has no significant consultation implications.

BACKGROUND PAPERS

22. Following background papers: -

- Statement of Accounts 2017/18 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
- Annual Governance Statement 2017/18
- ISA 260 Report 2017/18

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