



# Annual Audit Letter 2017/18

**Doncaster  
Metropolitan Borough  
Council**

—

August 2018



A group of business professionals in a meeting, looking at documents. The image is a close-up, slightly blurred, showing several people in business attire. A woman with dark hair is on the left, looking down. A man with grey hair is in the center, also looking down. A woman with dark hair is on the right, looking down. They are all wearing suits and ties. The background is out of focus, suggesting an office or conference room setting. The overall tone is professional and focused.

**Section one**

# Summary for Audit Committee

# Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Doncaster Metropolitan Borough Council ("the Authority") in relation to the 2017-18 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

## Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include the consolidated financial statements for Authority's Group, which consists of the Authority itself and St Leger Homes of Doncaster Ltd.

## Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £11 million which equates to around 1.5 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.55 million for the Authority.

We have identified two audit adjustments with a total value of £0.899 million relating to the revaluation of one school and the classification of the audit fee for pooling capital receipts. The pooling capital receipts adjustment had no impact on the primary statements. The revaluation adjustment resulted in a net increase of £44,700 in the reported deficit on provision of services and a net decrease of £44,700 in the general fund and Housing Revenue Account balance. We also have two unadjusted audit differences with a total value of £8.3 million, in relation pension assets and the treatment of an academy within the Council's asset register.

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – In line with our audit methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from our work that we need to bring to your attention;
- **Valuation of PPE** – Whilst the Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, the Code requires that all land and buildings be held at fair value. As part of our work, we have reviewed the approach and assumptions adopted by the in-house and District valuers. Overall we found the valuation methodology and assumptions to be reasonable;
- **Pensions Liabilities** – The valuation of the Authority's net pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We reviewed the processes in place to ensure accuracy of data provided to the Actuary and considered the assumptions used in determining the valuation. We noted that, consistent with many pension funds given the faster close process of Local Government accounts, the actuaries have used estimated investment rates of returns for the last one month of 2017/18, which our work has considered and the difference in actual and estimated investment rates of return has not had a material impact on the value of the pension fund assets and therefore net liability. Consequently, we have raised an uncorrected audit difference of £5.7m in relation to pension assets.

continued overleaf...

## Section one:

# Summary for Audit Committee (cont.)

- **Pensions Liabilities (cont.)** – Overall we found the assumptions used by the actuary to be reasonable. In addition as the Council paid some future pension contributions in advance during the financial year, we have confirmed these back to supporting evidence and confirmed the accounting treatment is appropriate;
- **Overstatement of fixed asset values in the balance sheet** – During 2015/16 and 2016/17, when revaluations had been undertaken for componentised assets by the Council’s valuers, the Council had posted the revalued amount all to the building category – rather than splitting this across the building, mechanical and external component values/categories. This has resulted in the assets being overstated by the existing component value. The Council have brought the previous pre-revaluation values for the mechanical and external categories forward to reflect the value that they have historically been held in the asset register. This has resulted in a misstatement of asset values held on the Balance Sheet of approximately £33.5m. This has no impact upon Council Tax and is merely a capital accounting adjustment that will flow through the capital accounts. We have reviewed the council response to the identified overstatement to understand the proposed treatment of the assets in the current and previous years. We have assessed whether we consider the proposed response to be adequate. We have ensured that the correct accounting treatment is made and disclosures comply with the code, including whether the prior period adjustment is correct.

## Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

## Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority’s pack was consistent with the audited financial statements.

## Value for Money conclusion

We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources. To arrive at our conclusion we looked at the Authority’s arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

## Section one:

# Summary for Audit Committee (cont.)

## Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

- **Children's Services Trust Overspend** – We noted that the Finance & Performance Improvement Report for Q2 showed a year end forecast overspend of circa £3.0m, of which £1.1m related to the Children's Services Trust. There is a risk that there is insufficient governance of the contract with the independent provider (Children's Services Trust) to verify that the payments deliver value for money. We held conversations with a number of individuals across the organisation including those directly involved in quality, performance and financial management of the contract with the Children's Services Trust. We also reviewed relevant minutes and reporting to both Council and the Audit Committee as well as reviewing and assessing minutes and actions from performance meetings. We noted that there was a clear plan in place for the Children's Trust to take on more of the risk of service moving forwards as they become more established as an entity. We noted that the final outturn position for the Trust was a £4.1m overspend. We also noted observations (evidenced through minute reviews of performance meetings) that the level of information and collaboration being provided by the Trust was improving enabling clearer decisions to be made with regards to resource deployment;
- **Adult Social Care Contracting** – The Transformation of Adults, Health and Wellbeing is a key area of development for the Council in 2017/18. There are a number of expired contracts with adult social care providers which are overdue for renewal by up to 3 years in some cases. We have reviewed the Commissioning Plan introduced during 2017/18 for the Adults, Health and Wellbeing directorate as well as the budgetary reporting and the breaches and waivers reporting that has been presented to Audit Committee. We are encouraged by the Council's ongoing plans to redesign services and to ensure that commissioning of new contracts takes place in a structured, but timely, manner. This recognises that some contracts may continue to operate in breach in the shorter term, however we have been able to see that where this is the case there is a clear rationale in terms of ensuring a sustainable service is delivered into the future. We are therefore satisfied that, given the service redesign plans in place and the values of contract breaches the Council is able to demonstrate that sustainable resource deployment has taken place.

## High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

## Section one:

# Summary for Audit Committee (cont.)

### Certificate

We issued our certificate on 31 August 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

Our fee for 2017-18 was £164,844, excluding VAT (2017: £164,844). Further detail is contained in Appendix 2.

### Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.



# Appendices



## Appendix 1:

# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority's website at [www.doncaster.gov.uk](http://www.doncaster.gov.uk).

### Certification of Grants and Returns

This report summarised the outcome of our certification work on the Authority's 2016-17 grants and returns.

### External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements, including those of the Group, and to support the VFM conclusion.

### Interim Audit Report

The Interim Audit Report summarised the results from the preliminary stages of our audit, including the identification of a new significant risk.

### Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

### Auditor's Report

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

### Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.

2018

January

February

March

April

May

June

July

August

September

October

## Appendix 2:

# Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

### External audit

Our final fee for the 2017-18 audit of the Authority was £164,844, which is in line with the planned fee.

### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The planned fee for this work is £25,035 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

We charged £9,000 for additional audit-related services for the certification of the Pooling Capital Receipt return, NCTL Teaching Bursary return and Teachers Pension's Agency return which are outside of Public Sector Audit Appointment's certification regime.

### Other services

We did not charge any additional fees for other services.

*All fees quoted are exclusive of VAT.*

### External audit fees 2017/18 (£'000)





The key contacts in relation to our audit are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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