



Doncaster Council

Date: 31st January, 2019

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

**EXTERNAL AUDITOR (GRANT THORNTON) AUDIT PLAN 2018/19 AND
ARRANGEMENTS FOR THE PREPARATION OF THE 2018/19 ACCOUNTS**

EXECUTIVE SUMMARY

1. The external auditor – Grant Thornton – 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 2018/19 financial year.
2. Attached to this report, at Appendix A, is Grant Thornton'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 2018/19 Statement of Accounts.
3. This report also provides details of the audit plan and timetable for producing the 2018/19 Statement of Accounts. The statutory deadlines for producing the unaudited accounts and the approved audited accounts are set out in regulation and are currently 31st May and 31st July respectively.
4. The Accounts and Audit Regulations 2015 brought forward the timetable for the preparation and approval of the 2018/19 unaudited accounts to the current dates. The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management.
5. The Council moved to the 31st July deadline from 2016/17; a year earlier than required. The unaudited accounts for 2018/19 will be certified and published by 31st May with the audited accounts to be finalised and published by 25th July.

EXEMPT REPORT

6. Not applicable.

RECOMMENDATIONS

7. The Audit Committee is asked to note: -
 - a. the content of Grant Thornton's Audit Plan 2018/19;
 - b. the arrangements, including the draft timetable, to produce the 2018/19 accounts.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. The audit programme of work is necessary to enable Grant Thornton to satisfy themselves that the Council has secured good governance and value for money in its use of public resources.
9. These arrangements will contribute towards the Council receiving an unqualified opinion on their accounts and secure good governance and value for money in its use of resources.

BACKGROUND

External Auditors Audit Plan

10. The External Audit Plan covers how the audit is performed in terms of the risks identified, key deliverables, timeline and fees for the audit.
11. Grant Thornton 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 Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.
12. The Code of Audit Practice covers two main responsibilities requiring Grant Thornton to review and report on the Council's: -
 - a. Financial statements (including the Annual Governance Statement) providing an opinion on the Council's accounts; and
 - b. 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).
13. There are no significant changes to the accounting standards and financial reporting framework in 2018/19. Based on initial planning work, Grant Thornton have identified four significant risks for the audit: -
 - a. Management override of controls
 - b. Fraudulent revenue recognition
 - c. Property, Plant and Equipment valuation including the 3 PFI schemes; and
 - d. The pension fund net liability valuation.

14. Further details on these and the impact on the audit are provided on pages 6 to 8 of the Audit Plan.
15. Grant Thornton have identified two significant VfM risks: -
 - a. Financial Standing; and
 - b. Brexit.
16. Further details on this and the impact on audit are provided on page 11 of the Audit Plan.
17. The main year-end audit is currently planned to commence on 3rd June 2019. The interim visit will take place in January and March 2019 when Grant Thornton will evaluate and test controls over key financial systems identified as part of our risk assessment; review the work undertaken by the internal audit function on controls relevant to our risk assessment; review the accounts production process; and review progress on critical accounting matters.

Timetable for the Preparation of the Accounts

18. The accounts and audit regulations 2015 require that the responsible financial officer, by no later than 31st May, signs and certifies that the statement of accounts presents a true and fair view of the financial position of the council for the year to 31st March previous, subject to the views of the external auditor (Grant Thornton).
19. The regulations further require that on or before the 31st July, approval needs to be given to the Statement of Accounts by resolution of the Audit Committee. This approval will take into account the views of Grant Thornton. This is done so that the Statement of Accounts can then be published.
20. To achieve this, a draft timetable has been developed which will enable the closedown process for the 2018/19 accounts to be proactively managed. Appendix B provides a summary version of the timetable showing the key dates and deadlines.
21. The date for the sign off of the unaudited 2018/19 accounts has been set as Friday, 31st May 2019 with the audited 2018/19 accounts expected to be presented to this Committee on Wednesday, 24th July 2019. It is expected that future years' accounts will be produced in line with these dates.
22. The timetable continues to be extremely challenging. However, the professionalism, knowledge and experience of key finance officers; and the continued development of the ERP financial system will assist in making these future deadlines achievable.
23. The Council moved to the 31st July deadline, see paragraph 4, from 2016/17; a year earlier than required. Meeting this deadline again will be subject to embedding changes to internal procedures, doing as much as possible in advance of the year-end, e.g. production of notes that are not

dependent on the year-end position and the early availability of external audit resources.

24. The preparation and production of last year's Statement of Accounts went well and KPMG highlighted officers' hard work and the high quality of working papers as major contributory factors. KPMG issued an unqualified opinion on both the Statement of Accounts and the Council's Value for Money conclusion following the presentation of the accounts to this Committee on 27th July 2018.
25. Work to improve the quality and timeliness of both the Statement of Accounts and associated working papers continues. Internal Financial Management Final Accounts meetings are held on a regular basis over the four month period to May to ensure that accounting procedures are applied consistently; best practice is shared; there is a shared understanding of any difficulties or delays that are happening and to disseminate updated information quickly and consistently.

OPTIONS CONSIDERED

26. Grant Thornton's Audit Plan includes information about planned audit work and the related fees for this work which Grant Thornton deem to be necessary to fulfil their legal obligations. The Council is required to meet such fees.

REASONS FOR RECOMMENDED OPTION

27. The Council is subject to statutory external audit and performance evaluation by Grant Thornton and must prepare annual accounts.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

28. 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	The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.
	<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	An unqualified audit opinion from Grant Thornton on the

	<ul style="list-style-type: none"> • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	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>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 focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	

RISKS AND ASSUMPTIONS

29. Grant Thornton identifies respective risks which their work is intended to consider. Assumptions about these risks have been made by Grant Thornton in the planning of this work and the calculation of the respective fees.
30. Materiality for planning purposes has been set at £12.1 million which equates to 1.5% of gross expenditure
31. Failure to meet the statutory deadlines for signing, producing and/or publishing the accounts would attract adverse comments from Grant Thornton, who could issue a public interest report.
32. Grant Thornton need to be confident that the information in the accounts is accurate and reliable otherwise they may not be able to give an unqualified opinion on the accounts.

LEGAL IMPLICATIONS [Officer Initials...SRF... Date...16.01.19]

33. The Council is subject to statutory external audit and performance evaluation by Grant Thornton in their role as the external auditor for the Council.
34. The statutory responsibilities and powers governing this work are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

FINANCIAL IMPLICATIONS [Officer Initials...KK... Date...15.01.19]

35. The proposed fee for this work for the 2018/19 audit is £126,930, compared to £164,844 for 2017/18.
36. 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.

HUMAN RESOURCES IMPLICATIONS [Officer Initials...KM... Date...22.01.19]

37. There are no immediate HR implications associated with this report.

TECHNOLOGY IMPLICATIONS [Officer Initials...PW... Date...16.01.19]

38. There are no specific technology implications in relation to this report. However, the Audit Approach outlined in Appendix A of the External Audit Plan refers to the use of audit, data interrogation and analytics software including extracting data directly from client systems. Further consultation would be needed with ICT in relation to the use of these tools, where applicable.

HEALTH IMPLICATIONS [Officer Initials...RS... Date...16.01.19]

39. Good governance is important for healthy organisations and for healthy populations. Specific health implications should be addressed through individual audits and action plans.

EQUALITY IMPLICATIONS [Officer Initials...RI... Date...15.01.19]

40. This report has no equality implications.

CONSULTATION

41. 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

42. None.

REPORT AUTHOR & CONTRIBUTORS

Robert Isaac, Financial Planning & Control Manager
Tel: 01302 737983, E-mail: robert.isaac@doncaster.gov.uk

Steve Mawson
Chief Financial Officer
& Assistant Director – Finance