

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

EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE, JUNE 2015

EXECUTIVE SUMMARY

1. This report provides members of the Audit Committee with an overview on the progress KPMG are making in delivering their responsibilities as the Council's external auditors.
2. The report highlights the main technical issues which are currently having an impact in local government.
3. Attached to this report, at Appendix 1, is KPMG's progress report and technical update.

EXEMPT REPORT

4. Not applicable

RECOMMENDATIONS

5. The Audit Committee is asked to note the content of the 'External Audit Progress Report and Technical Update'.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. An unqualified audit opinion on the Council's financial statements and a good Value for Money conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources for the people of Doncaster.

BACKGROUND

7. Audit Committee members have previously been advised of the audit timeline which sets out the key dates for the 2014/15 audit work on the financial statements which will start on site on 27th July and is expected to finish by the end of August. The audited accounts will be finalised and presented to this Committee on 16th September.
8. KPMG have carried out their initial review of the Council's arrangements for securing value for money and will continue this work whilst they are on site throughout August.
9. The interim audit conducted in April identified no issues for immediate concern.

10. The report identifies several key areas under 'KPMG resources'. This includes, amongst others, the governance arrangements over the Better Care Fund and the Better Care Fund Support Programme. All of these areas will be considered by the Council during 2015/16.
11. The 'Technical Update' section provides a brief summary of the key issues impacting on local government and gives KPMG's assessment of the impact from their perspective. The key areas, with an assessment of medium or high, are:
 - *CIPFA and HFMA guidance on the Better Care Fund and s.75 budgets (High impact)*
The guidance looks at the legislation and regulations that underpin the operation of a pooled budget and the finance, governance and operational arrangements that need to be in place. It also looks at the accounting standards that will apply and need to be considered in the signed agreement that will underpin the pooled budget.
 - *LAAP bulletin 101: accounting for non-current assets used by local authority maintained schools (Medium impact)*
The bulletin focuses on the accounting treatment for the non-current assets used by schools under the Code.
 - *NAO report: Public Health England's grant to local authorities (Medium impact)*
The report looks at council's new responsibilities for public health and is helpful when assessing the associated accounting and governance arrangements.
12. There are a number of other areas that are either identified as low impact or are provided solely for information. These are detailed in the report.

OPTIONS CONSIDERED

13. KPMG's external audit work is necessary for them to fulfil their legal obligations.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

14. This external audit work has the following significance.

	Priority	Implications
	<p>We will support a strong economy where businesses can locate, grow and employ local people.</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 Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p> <p>An unqualified opinion from KPMG on the financial statements and a good Value for Money conclusion would assist with the continued positive reputation of the Council.</p> <p>Close working with KPMG through the regular liaison meetings will result in the early consideration and resolution of key accounting and technical issues and demonstrates good governance arrangements.</p>
	<p>We will help people to 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>We will make Doncaster a better place to live, with cleaner, more sustainable communities.</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>We will support all families to thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>We will deliver modern value for money services.</p>	
	<p>We will provide strong leadership and governance, working in partnership.</p>	

RISKS & ASSUMPTIONS

15. KPMG identifies respective risks which their work is intended to consider. The assumptions about these risks have been made by KPMG in the planning of this work.

LEGAL IMPLICATIONS

16. The Council is subject to statutory external audit and performance evaluation by KPMG in their role as the external auditor for the Council.

FINANCIAL IMPLICATIONS

17. There are no financial implications arising from this report.

CONSULTATION

18. 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 interim and final 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

19. Not applicable

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