

27 January 2016

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

KPMG EXTERNAL AUDIT PLAN 2015/16

EXECUTIVE SUMMARY

1. KPMG 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 2015/16 financial year.
2. Attached to this report, at Appendix 1, is KPMG'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 2015/16 Statement of Accounts.

EXEMPT REPORT

3. The report is not exempt.

RECOMMENDATIONS

4. The Audit Committee is asked to note the content of the External Audit Plan 2015/16.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. The audit programme of work is necessary to enable KPMG to satisfy themselves that the Council has secured good governance and value for money in its use of public resources.

BACKGROUND

6. The External Audit Plan covers how the audit is performed in terms of the risks identified, key deliverables, timeline and fees for the audit.
7. KPMG 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 Audit Commission Act 1998, the Local Government Act 1999 and the Audit Commission's Code of Audit Practice.
8. The Code of Practice covers two main responsibilities requiring KPMG to review and report on the Council's: -
 - Financial statements (including the Annual Governance Statement) providing an opinion on the Council's accounts; and

- 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).
9. There are no significant changes to the accounting standards and financial reporting framework in 2015/16. Based on initial planning work, KPMG have identified no significant risks for the audit.
 10. KPMG have not currently identified any significant VfM risks. If any are identified, KPMG will highlight the risk to the council and consider the most appropriate audit response in each case.
 11. The main year end audit is currently planned to commence on 4th July 2016. An interim visit is scheduled to commence in March/April 2016 when KPMG 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.

OPTIONS CONSIDERED & RECOMMENDED OPTION

12. The External Audit Plan includes information about planned audit work and the related fees for this work which KPMG deem to be necessary to fulfil their legal obligations. The Council is required to meet such fees.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

13.

Outcomes	Implications
Council services are modern and value for money	Receiving an unqualified opinion on the accounts and a good Value for Money conclusion will show that the Council is delivering effective services and demonstrating good governance arrangements
Working with our partners we will provide strong leadership and governance.	

RISKS & ASSUMPTIONS

14. KPMG identifies respective risks which their work is intended to consider. Assumptions about these risks have been made by KPMG in the planning of this work and the calculation of the respective fees.

Materiality for planning purposes has been set at £14 million which equates to 2% of gross expenditure.

LEGAL IMPLICATIONS

15. 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

16. The proposed fee for this work for the 2015/16 audit is £164,844, compared to £219,792 for 2014/15. This saving formed part of the budget savings proposals for 2015/16 (ref: NS30).
17. The audit fee budget is managed by the Director of Finance and Corporate Services. 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.

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 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. None

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