

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

**STATEMENT OF ACCOUNTS 2015/16
ISA REPORT TO THOSE CHARGED WITH GOVERNANCE**

EXECUTIVE SUMMARY

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2015/16 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The ISA 260 report (Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally has to be done by 30th September.
3. The external auditor (KPMG) expects to issue an unqualified audit opinion on the Council's financial statements for 2015/16.
4. KPMG also expects to issue an unqualified Value For Money (VfM) conclusion for 2015/16.
5. Overall the ISA 260 report is an extremely positive one and it recognises the further improvements that have been made by the Council in preparing the Statement of Accounts for audit.
6. The quality of the working papers and the supporting information has improved year-on-year with the working papers, once again, meeting the standards specified in the Accounts Audit Protocol.

EXEMPT REPORT

7. Not applicable.

RECOMMENDATIONS

8. It is recommended that the Audit Committee: -
 - a. Note the action that is proposed in relation to amendments to the accounts as covered in the ISA 260 report;
 - b. Note the contents of the external audit ISA 260 report;
 - c. Consider the Letter of Representation and endorse its contents; and
 - d. Approve the Statement of Accounts 2015/16.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. An unqualified audit opinion on the Council's financial statements and a good VfM conclusion resulting from the annual audit process indicates that there is excellent internal control in place safeguarding Council resources.

BACKGROUND

Preparation of the Accounts

10. The Council's 2015/16 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 on the 2nd June 2016 and published on the Council's website on 14th June 2016. The statutory deadline to obtain certification of the accounts by the responsible financial officer is 30th June however, due to improved financial management processes, the Council is moving towards a shorter deadline of the 31st May.
11. The draft accounts were presented to this Committee for information on 22nd June 2016. KPMG were presented with these draft accounts on 29th June 2016 with working papers being provided on 4th July.

Outcomes of the Audit

12. The audit began on Monday, 4th July 2016 and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. This has resulted in the findings and conclusions contained in the ISA 260 report.
13. Throughout the audit process the Council's Financial Management team have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion.

14. KPMG did not identify any material misstatements. KPMG identified some minor issues that have been adjusted (e.g. Salix loan updated in note 12, Brexit comment in the Narrative Report, formatting etc.). None of these amendments have changed the financial results previously reported in the draft financial statements; the outturn position as reported to Cabinet in June or the reader's interpretation of the accounts. It is a testament to the knowledge and expertise of all staff engaged in the final accounts process that there are no material adjustments required this year. This reflects the benefit of key finance officers taking a proactive role in identifying potential risks so that a dialogue can take place with KPMG at an early stage to discuss and seek agreement on significant and often highly complex, accounting issues affecting the year's accounts.
15. There is one unadjusted audit difference in relation to the Waste Management PFI Contract. This PFI came into use during the year that the financial statements are reporting on. Once assets have been recognised (as they come into use), under section 4.3 of the Code, an assessment needs to be made as to whether the asset value needs to be re-measured. No such revaluation has taken place and therefore there is a risk that the value of the asset may be misstated. The proportion of the asset that relates to Doncaster MBC (40%) is currently valued on the balance sheet at £25.9m. As the materiality level is £15m and through discussions with valuation experts and our knowledge of this type of asset, we are confident that the value of the asset is not currently materially misstated. Rotherham MBC lead on the Waste Management PFI Contract and are currently seeking to provide suitable support for the valuation. The ISA 260 report is written on the worst case basis of the supporting information not being available. If the information becomes available before Audit Committee then the ISA 260 report will be amended.
16. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Thursday 23rd June 2016, during which, members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes. During this period no inspection visits were made.
17. KPMG intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. KPMG concluded that they did not need to carry out any additional work as there was sufficient relevant work that had completed by the Council, inspectorates and review agencies in relation to these risk areas. In particular the Council produced a detailed self-assessment which described the arrangements that have been put in place to secure value for money in the delivery of services. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.

18. The Letter of Representation (see Appendix B) requires endorsement by the Committee as an important final stage in the audit of the Council's 2015/16 Statement of Accounts. The letter is from the Director of Finance and Corporate Services to KPMG and is an assurance from management that the accounts have been prepared correctly and to bring to the auditors' attention any further matters that need to be taken into account prior to their opinion being issued. It also confirms that the Council have made appropriate enquiries and are satisfied that the value of the new Waste Management Contract PFI asset is not materially misstated in the Council's Balance Sheet.
19. As previously advised to this Committee, the dates for the 2017/18 accounts to be signed by the Responsible Finance Officer and then published will be brought forward to 31st May, with the audited deadline being brought forward to 31st July. The continued improvements in the quality of working papers and supporting information have resulted in this year's audit progressing extremely smoothly, in a more timely fashion than in previous years and it is expected that the timescale for the production of the 2016/17 draft accounts will be brought forward in advance of this year's dates. Alongside this, it is expected that the date for the approval of the audited accounts will also be brought forward although this is subject to external audit resources being available.

OPTIONS CONSIDERED

20. Not applicable.

REASONS FOR RECOMMENDED OPTION

21. 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

22. These are detailed in the table below: -

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</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 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 Value for Money ('VfM') conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</p>
	<p>People 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>People in Doncaster benefit from a high quality built and natural environment.</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>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	
	<p>Working with our partners we will provide strong leadership and governance.</p>	

RISKS AND ASSUMPTIONS

23. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them.

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included an increase in senior officer quality assurance review and control and internal verification and checks by finance and technical officers.

The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with KPMG throughout the year. Specific discussions on key complex / technical areas are undertaken as part of the monthly audit liaison group meetings.
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LEGAL IMPLICATIONS

24. The Council is subject to statutory external audit and performance evaluation by KPMG.

FINANCIAL IMPLICATIONS

25. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards (IFRS).
26. The audit fee budget is managed by the Director of Finance and Corporate Services and this review is included in the planned expenditure for the 2015/16 audit.

HUMAN RESOURCES IMPLICATIONS

27. There is one finding resulting from the audit which relates to packs for new starters to the organisation. All documentation that forms the new starter pack is already saved to the employee's personal file upon receipt in Doncaster from the HR Service Centre at Rotherham. Procedures relating to new starter packs are under review and consideration is being given to the recommendation to undertake period audits to ensure compliance.

TECHNOLOGY IMPLICATIONS

28. There are no specific Technology implications related to the contents of this report.

EQUALITY IMPLICATIONS

29. This report has no specific equality implications.

CONSULTATION

30. This report has no significant consultation implications.

BACKGROUND PAPERS

31. Draft Statement of Accounts 2015/16
The Code of Practice on Local Authority Accounting 2015/16 ('The Code') -
based on IFRS
Accounts and Audit (England) Regulations 2015

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