

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

EXTERNAL AUDITOR (KPMG) ANNUAL AUDIT LETTER 2015/16

EXECUTIVE SUMMARY

1. This report covers the External Auditor Annual Audit Letter for 2015/16 issued by KPMG. The report (Appendix A) is presented to the Audit Committee for its consideration and comment.
2. The Annual Audit Letter signifies the formal sign off of the audit to the Audit Committee. In signing-off the audit, the letter confirms the external auditor: -
 - a. issued an unqualified opinion on the Council's core financial statements and associated disclosure notes included in the Council's 2015/16 Statement of Accounts;
 - b. concluded that the Council made appropriate arrangements to secure financial resilience and economy, efficiency and effectiveness in the use of its resources; and
 - c. issued an audit certificate to demonstrate that the full requirements of both the Audit Commission's Code of Audit Practice and the Audit Commission Act 1998 have been discharged for the year.

EXEMPT REPORT

3. Not applicable.

RECOMMENDATIONS

4. It is recommended that the Audit Committee: -
 - a. Note the contents of the Annual Audit Letter; and
 - b. Note the overall significant and positive progress made by the Council.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

6. 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 draft accounts were presented to this Committee for information on 22nd June 2016 with the audited accounts being presented to this Committee on 17th August 2016.
7. The 2015/16 Statement of Accounts received an unqualified audit opinion on 19th August with the audit certificate being issued on 26th October. This means that KPMG have concluded that the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year. The audit identified a small number of presentational audit adjustments, all of which were amended in the financial statements. This included the disclosure of the new Salix Loan (£2.6m) in Note 12 of the financial statements.
8. KPMG also issued the Council with an unqualified VfM conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. 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.
9. There are no high priority recommendations resulting from the 2015/16 audit work and only one medium priority recommendation in relation to the Waste Management PFI Contract. This will be revalued and recognised at its up to date value in the 2016/17 financial statements.

OPTIONS CONSIDERED

10. Not applicable.

REASONS FOR RECOMMENDED OPTION

11. 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

12. 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</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</p>

	<i>Doncaster's vital services</i>	from KPMG on the 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>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

13. The Annual Audit Letter is reporting on the management of risks by the Council. It is important that effective action is taken in response to any matters raised by KPMG following their audit so as to assure the Committee about effective risk management across the Council. Consideration of this letter from KPMG is a risk management activity.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

15. The final fee for the 2015/16 audit was £164,844 and for grant certification was £27,103. This was in accordance with the planned fee.
16. The audit fee budget is managed by the Director of Finance and Corporate Services. Although the audit fee and grant certification fee were within

budget, as a result of additional work of £9,472, offset by a refund from the Audit Commission, the budget overspent by £7,770 for the year.

HUMAN RESOURCES IMPLICATIONS

17. There are no specific Human Resources implications related to the contents of this report.

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

19. This report has no specific equality implications.

CONSULTATION

20. This report has no significant consultation implications.

BACKGROUND PAPERS

21. Statement of Accounts 2015/16
Annual Governance Statement 2015/16
ISA 260 Report 2015/16

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