

Summary Sheet

Council Report Audit Committee

Title

Annual Audit Letter – 2014/15

Is this a Key Decision and has it been included on the Forward Plan?

This is not a key Decision on the basis that no approval is being sought to vary the Council's budget nor has any impact on local communities living.

Strategic Director Approving Submission of the Report

Acting Strategic Director of Finance & Corporate Services

Report Author(s)

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Ward(s) Affected

All

Executive Summary

The purpose of the Annual Audit Letter (AAL) is to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considers should be brought to the attention of the Council.

The AAL 2014/15 summarises the external audit work in relation to the 2014/15 audit plan and highlights the findings in relation to the following:

- Audit of Accounts 2014/15
- Value For Money Conclusion 2014/15
- Any Other Matters the external auditor is required to communicate.

A copy of the KPMG's AAL is attached to this report.

Recommendation

It is recommended that:

Audit Committee considers the Final Annual Audit Letter 2014/15 presented to the Council by its external auditors, KPMG LLP, and approves its publication on the Council's website.

List of Appendices Included

KPMG's Annual Audit Letter – 2014/15

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Annual Audit Letter – 2014/15

1. Recommendation

1.1 It is recommended that:

Audit Committee considers the Final Annual Audit Letter 2014/15 presented to the Council by its external auditors, KPMG LLP, and approves its publication on the Council's website.

2. Background

2.1 The purpose of the Annual Audit Letter (AAL) is to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considers should be brought to the attention of the Council.

3. Key Issues

3.1 The Annual Audit Letter 2014/15 attached as Appendix 1 is KPMG's summary of audit work for the 2014/15 financial year. It summarises the external audit work in relation to the 2014/15 audit plan and highlights the findings in relation to the following:

- Audit of Accounts 2014/15
- Value For Money Conclusion 2014/15
- Any Other Matters the external auditor is required to communicate.

3.2 The AAL briefly summarises the key messages of the external auditor's work which have previously been reported to Audit Committee in more detail during the course of the year including within the ISA 260 Report presented to Audit Committee on 23 September 2015 immediately prior to the 2014/15 Statement of Accounts being approved.

3.3 The main headlines from the AAL in relation to the accounts and other audit responsibilities are that:

- The external auditor issued a qualified Value For Money (VFM) conclusion on 24 September. The following VFM risks were identified:
 - Governance Arrangements
 - Financing Child Sexual Exploitation Claims
 - Budget Pressures

Bearing in mind that the Commissioners were appointed in late February 2015 and there was only one month before the end of the financial year it was not anticipated that sufficient progress would be

made in improving the Council's Governance arrangements within that timeframe. As a result and as previously reported to Committee the Auditor issued a qualified VFM conclusion in respect of 2014/15.

It is also important to note that it is recognised that the Commissioners have developed a robust Improvement Plan and are in the process of implementing a series of initiatives to strengthen the corporate governance arrangements in line with the Improvement Plan which will be fundamental in re-establishing the essential component parts of an effective, modern local authority. The progress made so far and that anticipated over the remainder of 2015/16 will be considered by the Auditor in forming the 2015/16 VFM conclusion.

- The Council's financial statements were produced to a good standard with the need for one audit adjustment in respect of a prior period adjustment for school land which should have been written out in 2013/14. The financial statements were given an unqualified audit opinion on 24 September before the statutory deadline of 30 September. KPMG complemented officers on the financial reporting process and in providing working papers to the expected standard and timely responses to audit queries;
- The Annual Governance Statement as amended at September's Audit Committee, is compliant with the CIPFA/SOLACE framework in local government;
- The Council's consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements; and,
- There are no high priority recommendations or other matters that need to be brought to the attention of the Audit Committee

4. Options considered and recommended proposal

4.1 There are no options to be considered as part of this report.

5. Consultation

5.1 No consultation is required.

6. Timetable and Accountability for Implementing this Decision

6.1 No decision requiring implementation is required as part of this report.

7. Financial and Procurement Implications

- 7.1 As set out in Appendix 2 to the AAL, the external audit fee for 2014/15 of £187,770 is £1,470 above the planned audit fee due to work on the National Non-Domestic Rates return.
- 7.2 The final fee for the on-going work on the certification of the Council's housing benefit claim has still to be confirmed.
- 7.3 Additional certification work is being undertaken on three returns/claims and although the fees are still to be agreed these are not expected to exceed £8k

8. Legal Implications

- 8.1 The Council has complied with all statutory requirements in relation to the issues covered by the AAL. Following consideration of the AAL the Council is required to publish the AAL on the Council website. There are no further legal implications arising from the report.

9. Human Resources Implications

- 9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11. Equalities and Human Rights Implications

- 11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

- 12.1 There are no implications arising from this report to Partners or other directorates.

13. Risks and Mitigation

13.1 It is recognised that the implementation of a series of initiatives to strengthen the corporate governance arrangements in line with the Improvement Plan which will be fundamental in re-establishing the essential component parts of an effective, modern local authority. The progress made so far and that anticipated over the remainder of 2015/16 will be considered by the Auditor in forming the 2015/16 VFM conclusion.

14. Accountable Officer(s)

Stuart Booth (Acting Strategic Director of Finance & Corporate Services)

Approvals Obtained from:-

Acting Strategic Director of Finance & Corporate Services:- Stuart Booth

Director of Legal Services:- Stuart Fletcher