



Annual Audit Letter 2016/17

Rotherham Metropolitan Borough Council

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31 October 2017

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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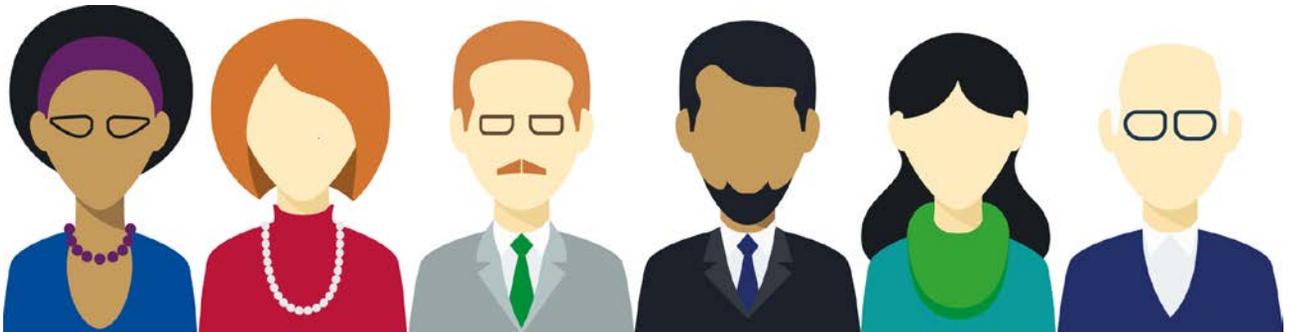
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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Rotherham Metropolitan Borough Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.



VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 11 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

- Governance Arrangements – The Authority regained partial control of its powers from Commissioners in 2016/17. Although not all powers had been returned at year end, sufficient progress had been made against the action plan to conclude we did not need to issue a qualified opinion.
- Reserves and Financial Position – National factors such as EU exit, inflationary pressures, and a reduction in the local government finance settlement will impact on the Authority's financial position. We reviewed the financial planning arrangements in place at the Authority and considered the performance against the 2016/17 annual plan. We have also considered the arrangements to prepare the medium term financial plan and the assumptions that underpin this plan. We did not find any indications that the Council does not have proper arrangements in place in relation to sustainable resource development. Going forward the Authority will need to be mindful of the level of unidentified savings that they have for the current and future years and whether there are adequate arrangements in place to identify these savings. In addition the Authority should consider their arrangements in relation to the setting of budgets compared to the demand for adults and childrens services, to prevent the use of significant virements to the budget during the year.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 26 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Section one

Financial statements audit

- We raised four medium priority recommendations in the following areas:
 - Preparation for early close;
 - Appropriate IT authorisation for new starters;
 - Timely removal of leavers from the IT system; and
 - School bank account reconciliations.
- We also raised a low priority recommendation in relation to segregation of duty in the journals process.
- There were no adjusted or unadjusted audit differences.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts (if applicable)

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

Certificate

We issued our certificate on 11 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2016/17 was £140,828, excluding VAT. Further detail is contained in Appendix 3.

Appendix 1

Key issues and recommendations

We raised the following medium and low priority recommendations as a result of our work.

No.	H/M/L	Issue and recommendation	Management response/responsible officer/due date
1	M	<p>Preparation for early close</p> <p>We will work with the Council throughout the year to plan the close down to support the Council in meeting the deadlines required.</p>	<p>Accepted</p> <p>Owner Graham Saxton</p> <p>Deadline 31/12/2017</p>
2	M	<p>Appropriate IT authorisation of new starters</p> <p>The authority should ensure that all users gain approval to access the ledger in line with Council procedures.. Members of the IT team should only grant a user access when there is an approved signatory authorising the access.</p>	<p>Accepted</p> <p>Owner Richard Douthwaite</p> <p>Deadline 31/10/2017</p>
3	M	<p>Timely removal of leavers from IT system</p> <p>Where a member of staff is working their notice, IT should be informed of their leave date in advance of them leaving and arrange for their access to be disabled on their leave date.</p> <p>Where a member of staff leaves with immediate effect, IT should be notified immediately so they can disable user access.</p>	<p>Management Response Accepted</p> <p>Owner Richard Douthwaite</p> <p>Deadline 31/10/2017</p>
4	M	<p>School Bank Account Reconciliations</p> <p>The closedown timetable for 2017/18 should factor in this issue, and allow schools to run the balancing reports on 1st April to allow reconciliations dated the 31 March to be produced</p>	<p>Accepted</p> <p>Owner Mick Wildman</p> <p>Deadline 31/03/2018</p>
5	L	<p>Segregation of Duties in Journal Processing</p> <p>We recommend that the Authority looks into whether the general ledger could be updated to include an authorisation step for journals. We recognise this may have to wait until the next significant ledger upgrade, and as such, until this time, random spot checks should be undertaken by a senior member of the finance team to confirm the process is being appropriately followed. These checks should be recorded and available as audit evidence.</p>	<p>Accepted</p> <p>Owner Graham Saxton</p> <p>Deadline 31/03/2018</p>

M Medium

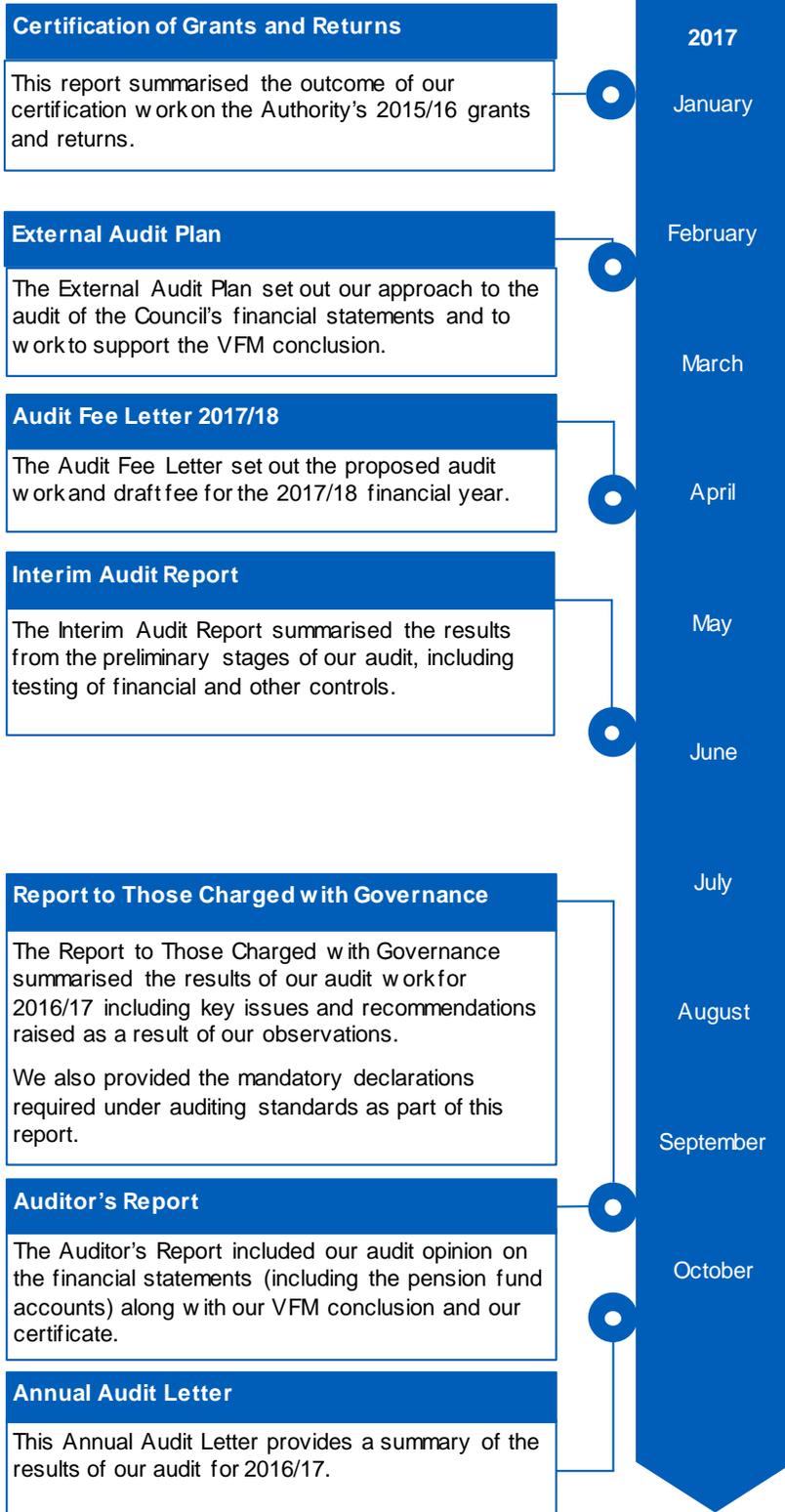
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Appendix 2

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee pages on the Authority's website at www.rotherham.gov.uk.



Appendix 3

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit was £140,828, which is in line with the planned fee. We have also raised a fee variation, as agreed with management, with PSAA in relation to the additional VFM work completed during the year. This is awaiting final approval.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We will be charging for additional audit-related services for the certification of the Teachers Pension Return and Pooling of Housing Capital Receipts Return. This work is still ongoing. The final fee will be confirmed in November 2017

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