

ROTHERHAM METROPOLITAN BOROUGH COUNCIL
REPORT TO MEMBERS

1. Meeting:	Audit Committee
2. Date:	29th June 2011
3. Title:	External Audit Plan 2011/12
4. Directorate:	Financial Services

5. Summary

The Council's external auditor, KPMG LLP, has set out in its Annual Audit Plan Letter for 2011/12 (Appendix 1) the proposed external audit work relating to council services and functions that will be undertaken.

6. Recommendations

Audit Committee approve KPMG's Annual Audit Plan Letter 2011/12, noting the proposed areas for audit identified.

7. Proposals and Details

The KPMG Annual Audit Plan Letter for 2011/12 sets out the proposed audit work to be undertaken in 2011/12. The Plan has been drawn up using a risk-based approach to audit planning. It reflects:

- Audit work identified by KPMG for 2011/12;
- Current national risks relevant to the Council's local circumstances; and
- The Council's local risks and improvement priorities.

In drawing up the plan and setting the fee, KPMG have assumed that the general level of risk in relation to the Council's audit is in line with the Audit Commission's published work programme and scales of fees for 2011/12.

The main two elements of the external auditors planned work is in relation to the following:

- **Financial statements 2011/12** - KPMG will carry out the audit of the Council's 2011/12 financial statements in accordance with International Standards on Auditing and are required to issue an opinion on whether the financial statements 'present fairly' the financial position of the Council as at 31 March 2012 and its income and expenditure for the year then ended. This opinion is expected to be given by September 2012.
- **Value for Money Conclusion 2011/12** – KPMG are required to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the new Audit Commission approach the work will be structured around 2 themes:

Theme 1: Assessing the Council's arrangements for securing financial resilience; and

Theme 2: Assessing the Council's arrangements for challenging how it secures economy, efficiency and effectiveness.

The two themes are not new and were effectively part of the previous Use of Resources assessment. The primary driver for reviewing financial resilience is the current, difficult financial climate that local authorities find themselves in and in particular the need to deliver an unprecedented level of financial savings over the next few financial years. KPMG expect to issue their VFM Conclusion for this work in September 2011.

In addition, external audit will also carry out the following work:

- **Interim Audit Review** - KPMG will identify and assess the adequacy of the Council's control and governance framework (including Internal Audit) underlying its published financial information so as to gain assurance of the robustness of its financial systems, processes and procedures. A report on this assessment is expected in April 2012.

- **Whole of government Accounts (WGA)** - KPMG will be required to review and report on your WGA consolidation pack in accordance with the national approach agreed. An opinion on this return is expected in September 2012, at the same time as the financial statements opinion.
- **Certification of Grant Claims and Returns** - KPMG will continue to certify the Council's claims and returns that are required to be certified by Central Government departments and agencies. The expected number of claims and returns requiring certification will reduce as specific funding streams are consolidated into Central Government Formula Grant and Funding Bodies no longer require an external audit certification. All audited claims and returns are expected to have received an audit certification by January 2013.

8. Finance

The 2011/12 indicative fee for the audit work is £310,500 (2010/11 345,000). The fee is in line with our financial planning assumptions. A breakdown of the fee is presented in the audit letter attached at Appendix 1.

9. Risks and Uncertainties

The current, difficult financial landscape facing all local authorities brings with it a number of risks that will need to be effectively planned for and managed. The introduction of a new VFM audit approach focussing on financial resilience and prioritising resources within tighter budgets will provide an independent review of how well the Council has planned for and managed these risks. Being able to positively demonstrate this to KPMG will help the Council sustain its strong financial management and financial performance base.

10. Policy and Performance Agenda Implications

Good financial management and a strong financial performance are essential to the Council achieving improved corporate and service outcomes in accordance with its Corporate Plan priorities.

11. Background Papers and Consultation

- Audit Commission – Work Programme and fee scales 2011/12
- KPMG – Audit Plan Letter 2011/12

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