

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	20th July 2011
3.	Title:	KPMG Interim External Audit Report
4.	Directorate:	Financial Services

5. Summary

This report refers to the outcomes from KPMG's 2010/11 interim external audit work.

The scope of KPMG's work included:

- A review of the Council's general Control Environment, including its ICT systems;
- An assessment of the Council's Internal Audit function;
- Testing certain key controls over the Council's key financial systems;
- A review of the Council's accounts production process including work to restate the 2009/10 financial statements to be International Financial Reporting Standards (IFRS) compliant; and
- An assessment of the Council's financial resilience as part of its VFM Conclusion work.

The outcome of KPMG's interim audit report is a **very positive one**, with only 3 recommendations for improvement being made in relation to improving ICT access and password security control and risk management. **None of the recommendations** (according to KPMG) are of a 'high priority' status that require immediate action.

6. Recommendation

Audit Committee is asked to note the findings and recommendations presented in KPMG's interim external audit report

7. Proposals and Details

Attached at **Appendix A** is KPMG's interim external audit report for the financial year 2010/11. Overall, the report is **very positive** and demonstrates the Council's continued commitment to ensuring that it has in place a strong and robust control environment for doing and managing its business in a proper and appropriate way that meets professional standards.

In addition, this year, KPMG have also continued to review the Council's approach to **implementing IFRS** and assessing how **financially resilient** the Council is to meet the financial challenges facing local government over the next few years. **Once again, a positive conclusion has been reached in both areas.**

KPMG will finalise their work on the Council's transition to IFRS when they undertake the audit of the Council's 2010/11 Financial Statements. This work is expected to be concluded in September with an Unqualified Audit Opinion.

KPMG will continue to monitor the financial resilience of the Council in achieving significant and unprecedented financial savings in order to achieve its Medium Term Financial Strategy that supports the Council's Corporate Plan priorities.

The report identifies how each of the recommendations will be concluded over the next period.

The Audit Committee is asked to note the findings and recommendations presented in KPMG's interim external audit report.

8. Finance

There are no financial implications arising from this report.

9. Risks and Uncertainties

Failure to maintain robust control over the Council's Control Environment and its fundamental financial systems increases the risk of errors and potential loss and will adversely affect the Council's reputation.

10. Policy and Performance Agenda Implications

Maintenance of sound internal controls contributes to good governance.

11. Background Papers and Consultation

KPMG Interim External Audit Report – Appendix A

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