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Annual Audit Letter 2011/12

Rotherham Metropolitan Borough Council

11 October 2012



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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. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Steve Clark, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This report summarises the key findings from our 2011/12 audit of Rotherham Metropolitan Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2011/12 financial statements and the 2011/12 VFM conclusion.

VFM conclusion	<p>We issued an unqualified value for money ('VFM') conclusion for 2011/12 on 27 September 2012.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We identified two significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these. These risks were:</p> <ul style="list-style-type: none"> • the conclusion of the partnership agreement with BT; and • the decision to re-procure the Digital Region services under a new business model. <p>Our work in both cases concluded the Authority exercised the expected financial and risk considerations in taking its decisions.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 27 September 2012. 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.</p>
Financial statements audit	<p>We identified no significant adjusted or unadjusted misstatements as part of our audit work.</p> <p>The Authority proactively raised complex accounting treatments in respect of the ending of the partnership with RBT and accounting for the provision for Digital Region Ltd in advance of our final audit visit. In both cases the Authority produced good quality and technically compliant working papers to justify the accounting treatment. Where we raised queries with the accounting treatment, officers responded quickly with further justification and supporting evidence.</p> <p>Overall:</p> <ul style="list-style-type: none"> • the Authority had produced the financial statement to a good standard as in previous years; • Financial Services provided, or were able to provide on request, working papers which fully addressed our line of enquiry; and • Officers provided timely responses to ad hoc requests and queries which we raised throughout the audit without exception.
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

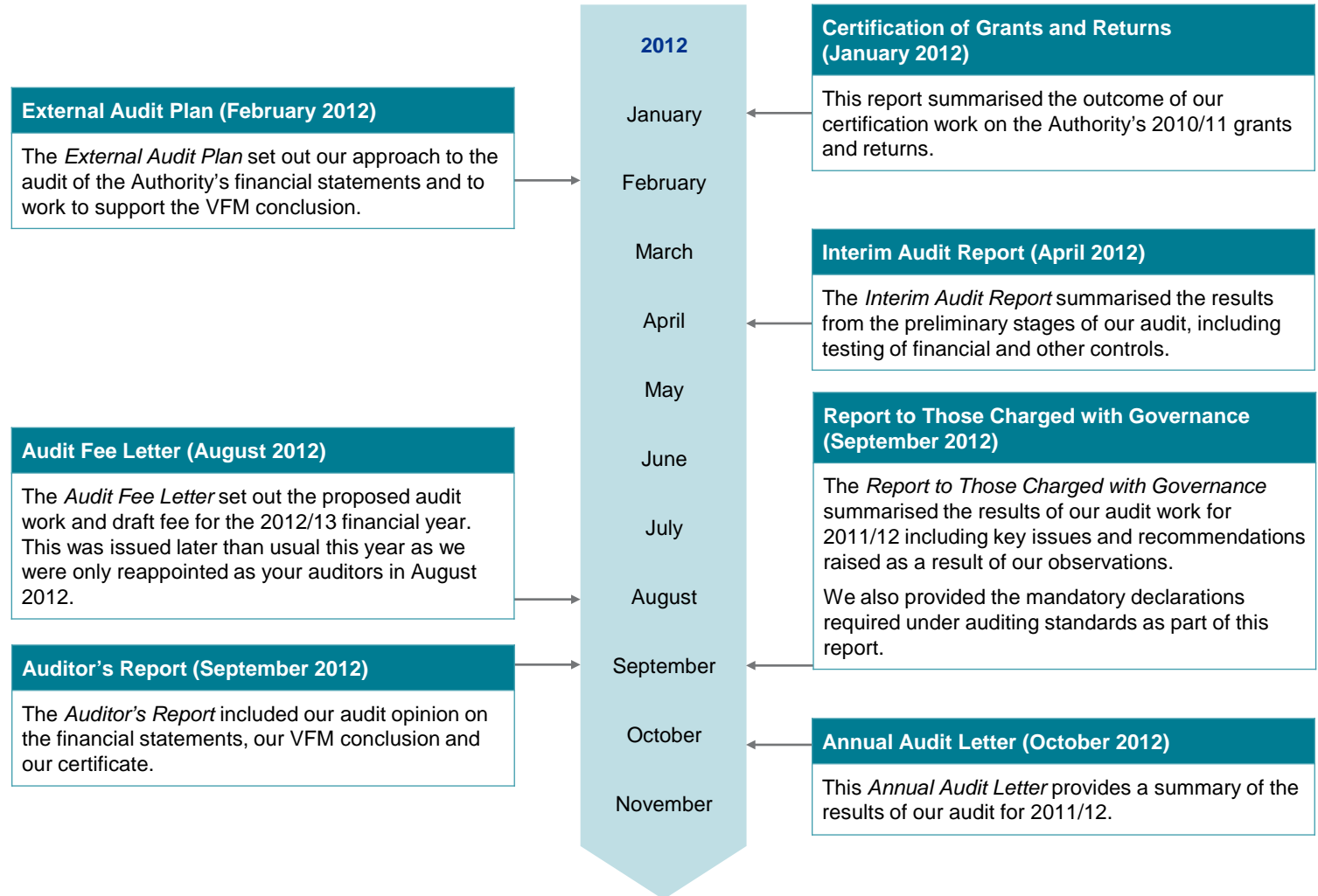
We provide a summary of our key reports in Appendix 1.

All the issues in this letter have been previously reported.

Whole of Government Accounts	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.
High priority recommendations	We raised no high priority recommendations as a result of our 2011/12 work.
Certificate	<p>We issued our certificate on 27 September 2012. We did consider whether the ongoing nature of the Digital Region issue required us to withhold our certificate, however we concluded that was not the case, because if any further audit action was required this could be taken in 2012/13 if required.</p> <p>The certificate confirms that we have concluded the audit for 2011/12 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	Our fee for 2011/12 was £316,650 excluding VAT. This has been increased from our initial fee of £310,500 due to additional work required in relation to auditing the accounting treatment of RBT and the Digital Region issue. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued

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



This appendix provides information on our final fees for 2011/12.

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the outturn against the 2011/12 planned external audit fee.

External audit

Our final fee for the 2011/12 audit of the Authority was £316,650 (£345,000 in 2010/11). This is higher than the planned fee of £310,500 because of the additional work associated with auditing the accounting treatment of the:

- conclusion of the partnership agreement with BT; and
- decision to re-procure the Digital Region services under a new business model.

Wider responsibilities under the Audit Commission Act 1998

We have also charged £1,893 in relation to our wider responsibilities under the Audit Commission Act 1998. As part of these responsibilities we needed to consider whether the ongoing Digital Region issue required us to withhold our audit certificate until the issue was resolved.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2011/12* which we are due to issue in January 2013.



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