

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	13 February 2013
3.	Title:	KPMG External Audit Plan 2012/13
4.	Directorate:	Resources

5. Summary

The Council's external auditor, KPMG, in their External Audit Plan (attached as Appendix 1) sets out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements and to conclude on whether the Council has arrangements in place to secure value for money in the use of its resources.

6. Recommendations

That Audit Committee approves KPMG's External Audit Plan 2012/13, noting the proposed areas for audit identified.

7. Proposals and Details

KPMG's External Audit Plan sets out the proposed audit work to be undertaken in relation to the 2012/13 financial year. The Plan has been drawn up using a risk-based approach to enable KPMG to audit and report on:

- **Financial Statements**
form an opinion on whether the Council's financial statements give a true and fair view of the Council's financial performance and financial position.
- **Use of Resources (Value for Money conclusion)**
conclude on whether the Council has arrangements in place to secure value for money from the use of its resources.

Financial Statements

Section 3 of KPMG's External Audit Plan (page 4 of the Plan) summarises the key stages KPMG will carry out in their audit of the financial statements.

Section 2 (page 3 of the Plan) sets out the specific risks that KPMG will focus on during the audit in forming their opinion on the Financial Statements. The 3 areas to be reviewed are:

- How the Council is planning and managing its savings plans and ability to sustain its sound financial standing
- The future arrangements for Digital Region Limited
- The financial implications of MMI going into administration

Section 4 (pages 10 and 11 of the Plan) provides further detail on each of these risks.

KPMG will provide an update on how the Council is managing these risks in their Interim Audit Report which is due to be presented to Audit Committee in April 2013.

Value for Money Conclusion

KPMG's approach to reaching their Value For Money conclusion is set out in Section 5 (pages 12 to 15 of the Plan). The two key themes are:

- The Council's financial resilience to manage its financial risks effectively and sustain a stable financial position, and
- How effectively the Council challenges its arrangements to secure Value For Money and prioritise resources by, for example, improving productivity and efficiency and achieving cost reductions

At this stage, no specific audit work is planned to reach their Value For Money conclusion. Should this prove necessary, KPMG will highlight the risk to the Council together with the audit approach they intend to take in response.

Reporting

Section 6 (on pages 17 and 18) sets out the timing and nature of the audit reports KPMG will issue over the course of the 2012/13 audit.

Section 6 also identifies the key members of the audit team (page 16 of the Plan) and audit fee (page 19 of the Plan).

8. Finance

The 2012/13 audit fee of £186,300 is based on KPMG's assessment of the level of risk. The fee is the same as that included in the 2012/13 Audit Fee Letter reported to Committee in November 2012 and in line with expectations based on the Audit Commission's published work programme and scales of fees for 2012/13.

It represents a 40% reduction on the 2011/12 audit fee of £310,500.

9. Risks and Uncertainties

The External Audit Plan and audit fee is based on a number of assumptions set out on page 19 of the Plan. Changes to the Plan and the fee may be necessary if significant new audit risks emerge or KPMG's expectations are not met. Should this be the case, KPMG will first discuss the reason for any change in fee with the Director of Financial Services. They will then be brought to the attention of the Audit Committee outlining the reasons for any change to the fee.

The fee for 2012/13 will be the indicative fee for the remainder of KPMG's five year appointment to 2016/17. It will therefore continue to be important that KPMG's expectations are met so that KPMG do not have to undertake additional work which could affect their underlying risk assessment and hence fee levels in future years.

10. Policy and Performance Agenda Implications

Sustaining in 2012/13, the very positive Annual Audit Reports of recent years, will maintain the Council's excellent reputation for good financial management, governance and reporting.

11. Background Papers and Consultation

External Audit Plan 2012/13
Indicative Audit Fee Letter 2012/13
Audit Committee – 21 November 2012

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