

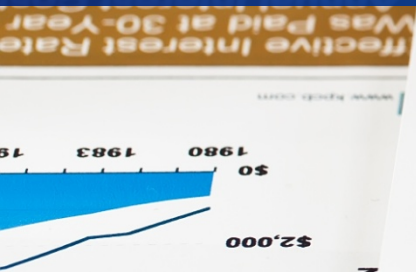


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Annual Audit Letter 2012/13

Rotherham Metropolitan Borough
Council

16 October 2013



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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 Stephen 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises the key findings from our 2012/13 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 2012/13 financial statements and the 2012/13 VFM conclusion.

VFM conclusion	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 26 September 2013.</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 one significant risk to our VFM conclusion around the decision to re-procure the Digital Region services under a new business model. Since the year end, the Council together with the other local authority shareholders unanimously agreed to an orderly managed closure of the business in August 2013. This decision will limit the Authority's exposure to future losses connected with DRL and the Council expects its share of the overall cost to be contained within the total budget provision made in 2011/12 and 2012/13 of £7.6m.</p> <p>The Authority has actively reviewed the situation as it has developed throughout the 2012-13 financial year, and this ongoing monitoring has enabled it to take the difficult decision to close the company. As a result of this active involvement, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in respect of its investment in Digital Region Ltd during 2012-13.</p> <p>The Authority needs to ensure it has appropriate arrangements to ensure the closure of Digital Region Limited is managed to reduce the financial impact on the Authority. The Authority should also ensure that it carries out a review of the Digital Region Project to identify the lessons that should be learned from the initial decision to invest up to the final decision to close the company. This review should, ideally, be carried out jointly with the other stakeholders.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 26 September 2013. 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>We noted:</p> <ul style="list-style-type: none"> • the Authority had continued to maintain a strong financial reporting process and produced statements of accounts to a good standard. This is in the context of having less resource, so represents good performance.; • 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 without exception.
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

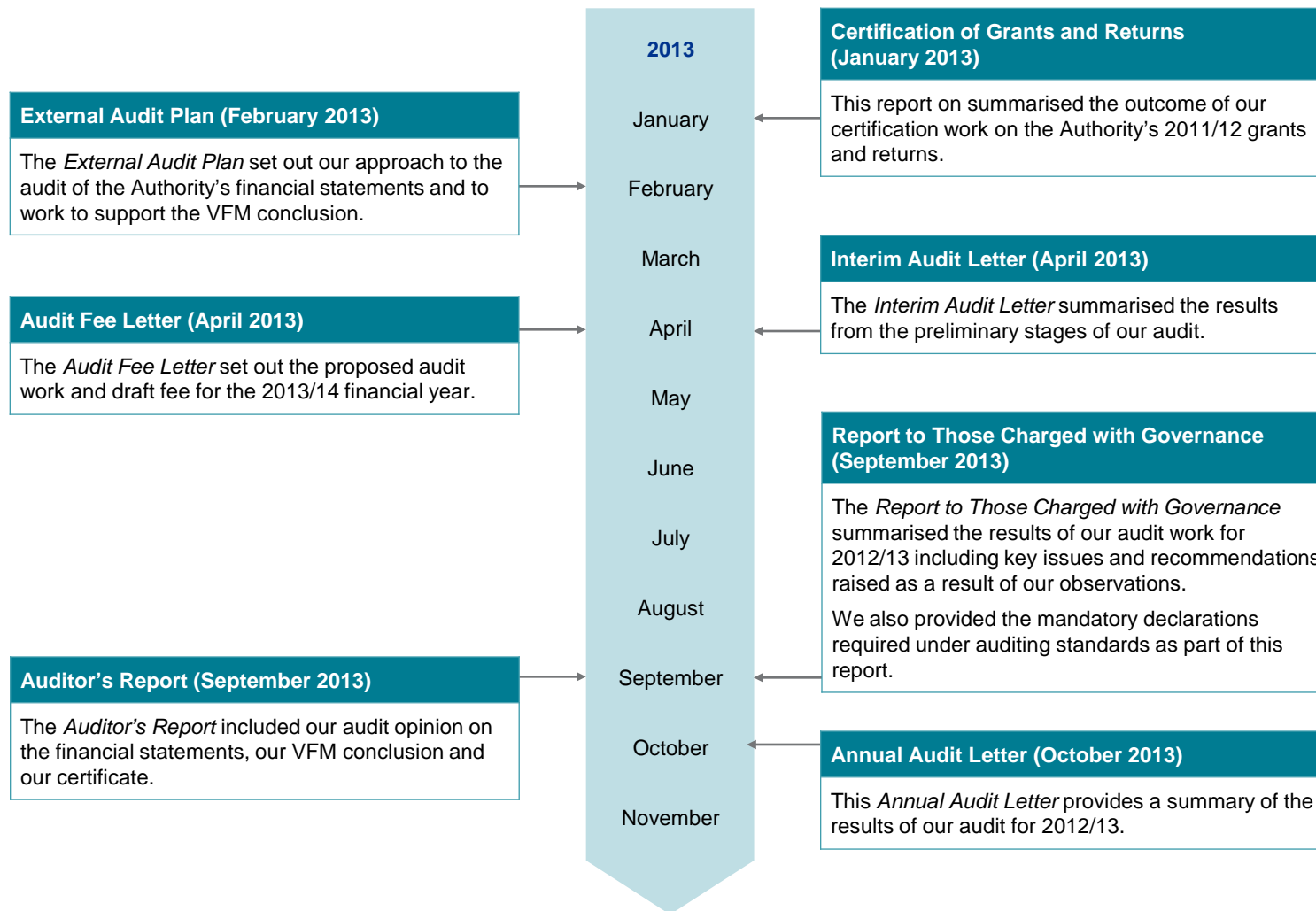
We provide a summary of our key reports in Appendix 1.

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 identified no high priority recommendations as a result of our 2012/13 audit work.
Certificate	We issued our certificate on 26 September 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2012/13 was £191,178, excluding VAT. This is a decrease from prior year due to changes in the Audit Commission fee regime. 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 2012/13.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

Our final fee for the 2012/13 audit of the Authority was £191,178. Although we note we are awaiting approval from the Audit Commission for £4,878 of this fee. This is an overall reduction of 41 percent on the comparative total fee for 2011/12 of £324,543. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

This is higher than the planned fee of £186,300 because of the additional work associated with Digital Region Limited, which involved considering:

- the accounting treatment in the statement of accounts;
- the Value For Money conclusion risk (outlined earlier); and
- the impact on our wider reporting responsibilities.

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 2012/13* which we are due to issue in January 2014.



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