

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	23rd April 2014
3.	Title:	KPMG External Audit Plan 2013/14
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 2013/14, noting the proposed areas for audit identified.

7. Proposals

KPMG's External Audit Plan sets out the proposed audit work to be undertaken in relation to the 2013/14 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 4 (pages 9 and 10 of the Plan) sets out the areas that KPMG will focus on during the audit in forming their opinion on the Financial Statements. The 3 areas to be reviewed are:

- The arrangements for closure of Digital Region Ltd
- The transition to a new general ledger structure
- The Pension valuation

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 June 2014.

Value for Money Conclusion

KPMG's approach to reaching their Value For Money conclusion is set out in Section 5 (pages 11 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

The two areas to be reviewed where KPMG has identified a residual audit risk are:

- The arrangements for the closure of Digital Region Ltd
- The Council's savings plans for reductions in funding

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 2013/14 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 2013/14 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 2013/14 Audit Fee Letter and in line with expectations based on the Audit Commission's published work programme and scales of fees for 2013/14.

The fee is also in line with the fee for 2012/13.

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 indicative fee for 2014/15 is the same as in 2013/14, ie £186,300. Fees in 2015/16 and beyond will depend on the outcome of a retendering exercise the Audit Commission has recently completed. The retendered contracts are for the two years 2015/16 and 2016/17, extendable by a further three years to 2020. The Audit Commission estimates that this could produce further savings in the region of 25%. Details on audit appointments will be announced towards the end of this year following a period of consultation.

In order to benefit from a standstill audit fee in 2014/15 and possible reductions in fees from 2015/16 onwards it is important that risks are appropriately managed, financial controls remain in place, and the external auditors expectations continue to be met.

10. Policy and Performance Agenda Implications

Sustaining in 2013/14, 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 2013/14

Indicative Audit Fee Letter 2013/14

Audit Commission work programme and scale of fees

Contact Name: Stuart Booth, Director of Financial Services, extension 22034

stuart.booth@rotherham.gov.uk

Simon Tompkins, Finance Manager, extension 54513

simon.tompkins@rotherham.gov.uk