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Interim - Annual Audit Letter 2013/14

Rotherham Metropolitan Borough
Council

20 October 2014



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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 Trevor Rees, the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also 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 0303 4448 330.

This report summarises the key findings from our 2013/14 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.

This report is interim as we have not yet issued our VFM conclusion.

<p>VFM conclusion and VFM risk areas</p>	<p>Our initial audit planning process identified two significant risks to our VFM conclusion. These concerned the closure of Digital Region Limited, and the Authority's savings plans for reductions in funding.</p> <p><u>Digital Region Limited (DRL)</u> We have reviewed the work carried out by the Authority in relation to the closure of DRL. The decision to close was taken on a reasonable and evidence based approach and is being managed appropriately. As such, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in the closure of DRL.</p> <p><u>Savings Plans</u> We have reviewed the Authority's medium term financial plan forecasts and we note that this has taken into consideration the potential funding reductions and it is sufficiently robust to ensure the Authority can continue to provide services effectively given the funding reductions. This includes a risk assessed approach to managing reserves to ensure financial risks are managed.</p> <p>Our VFM audit approach requires us to consider findings from other inspectorates and review bodies. We have now considered the Independent Inquiry into Child Sexual Exploitation in Rotherham. The output of this Independent Inquiry has created a further significant risk and as a result we have identified some areas of further work we need to consider before we can issue our VFM conclusion. However, the areas we need to consider are potentially included in inspections commissioned by central government. We are currently in the process of understanding the terms of reference and outputs for these inspections, before deciding where we can rely on inspection work and where we need to undertake work ourselves. Therefore, at the date of this report we have delayed issuing our VFM conclusion until we have completed this work.</p>
<p>Audit opinion</p>	<p>We issued an unqualified opinion on your financial statements on 22 September 2014. This means that in our opinion 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>
<p>Financial statements audit</p>	<p>We identified no adjusted or unadjusted misstatements as part of our audit work.</p> <p>We noted:</p> <ul style="list-style-type: none"> • as in previous years, the Authority had produced the financial statements to a good standard; • 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.

This report summarises the key findings from our 2013/14 audit of Rotherham Metropolitan Borough Council (the Authority).

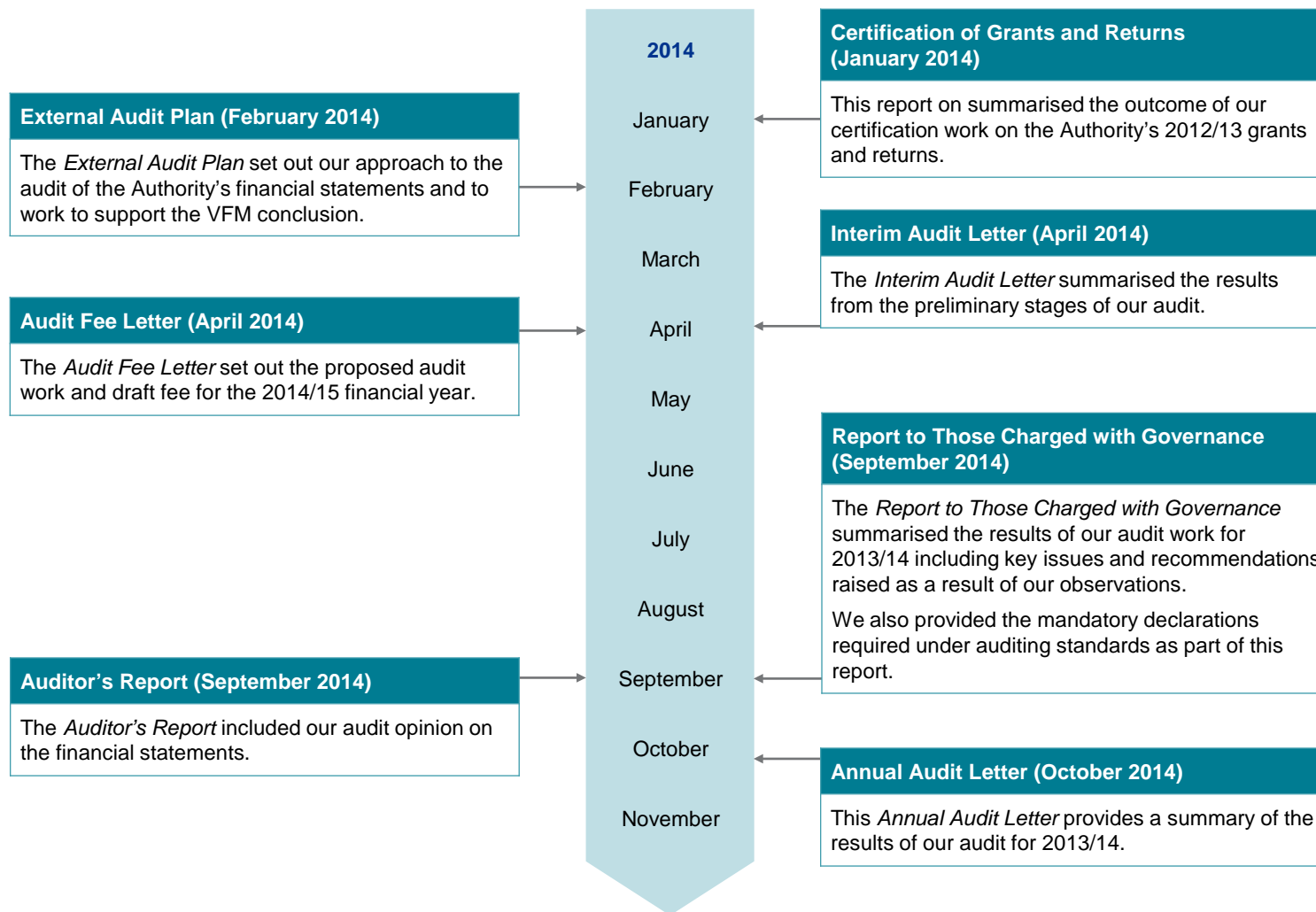
Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.

Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
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 2013/14 audit work.
Certificate	We have been unable to issue our audit certificate as at the date of this report, due to our ongoing work in relation to our VFM conclusion, as outlined above.
Audit fee	Our fee for 2013/14 is £186,300 to date (excluding VAT). This is in line with the planned fee however, we note our work in relation to our VFM conclusion is not complete and this may result in additional fees. See Appendix 2 for further details.

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 2013/14.

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 2013/14 planned audit fee.

External audit

Our fee for the 2013/14 audit is £186,300 to date (excluding VAT). This is in line with our planned audit fee and less than the 2012/13 fee, which was higher due to work in relation to DRL. However, we note our work in relation to our VFM conclusion is not complete and this may result in additional fees.

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 2013/14* which we are due to issue in January 2015.



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