

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Audit Committee
2.	Date:	18th February 2015
3.	Title:	KPMG External Audit Plan 2014/15
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 2014/15, 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 2014/15 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 11 to 13 of the Plan) sets out the areas that KPMG will focus on during the audit in forming their opinion on the Financial Statements. The 4 areas to be reviewed are:

- Child Sexual Exploitation claims
- Accounting for school assets used by local authority maintained schools
- Digital Region closure costs, and
- The Council's new banking arrangements

In forming their opinion, KPMG will have regard to the materiality levels on page 6 of the Plan, namely, £15m overall materiality for planning purposes and a £750k triviality threshold.

KPMG's findings on the audit of the financial statements (ISA 260 report) will be reported to Audit Committee at its meeting in September prior to giving their opinion.

Value for Money Conclusion

KPMG's approach to reaching their Value For Money conclusion is set out in Section 5 (pages 14 to 17 of the Plan). The two key themes are:

- The Council's financial resilience to manage effectively its financial risks and opportunities 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, KPMG have yet to complete their initial risk assessment, pending the publication of the Corporate Governance Inspection.

Reporting

The table on page 20 of the Plan sets out the timing and nature of the audit reports KPMG will issue over the course of the 2014/15 audit.

Page 19 of the Plan identifies the key members of the audit team.

8. Finance

The 2014/15 audit fee of £186,300 is based on KPMG's assessment of the level of risk. The fee is the same as in 2013/14 and in line with expectations based on the Audit Commission's published work programme and scales of fees.

9. Risks and Uncertainties

The External Audit Plan and audit fee is based on the assumptions set out on page 22 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 Interim Strategic Director of Resources and Transformation. They will then be brought to the attention of the Audit Committee outlining the reasons for any change.

The Audit Commission have confirmed the re-appointment of KPMG for a further two years 2015/16 and 2016/17, which may be extended by a further three years to 2020. DCLG has indicated it will make a decision on whether or not to extend in the summer of 2015.

The Audit Commission have set a proposed fee of £140,828 for 2015/16 representing a 25% reduction on the 2014/15 fee. The fee for 2016/17 and subsequent years will be set by the Public Sector Audit Appointments company set up by the LGA as successor body to the Audit Commission.

To realise these savings, there will be a continuing need to provide the auditor with complete and materially accurate financial statements and supporting working papers which meet external audit requirements, within agreed timeframes.

10. Policy and Performance Agenda Implications

Sustaining in 2014/15, the very positive Audit Reports of recent years, will maintain the Council's excellent reputation for good financial management, governance and reporting and position itself to take advantage of the anticipated fee reductions in 2015/16.

11. Background Papers and Consultation

External Audit Plan 2014/15

Audit Appointment letter 2015/16

Audit Commission work programme and scale of fees

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