

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Audit Committee</b>
2.	<b>Date:</b>	<b>5<sup>th</sup> May, 2015</b>
3.	<b>Title:</b>	<b>External Auditor's Final Annual Audit Letter 2013/14</b>
4.	<b>Directorate:</b>	<b>Resources and Transformation</b>

### 5. Summary

The Interim Annual Audit Letter 2013/14 presented to Audit Committee on 19 November 2014 informed members that KPMG had not been able to issue their Value For Money (VFM) Conclusion pending consideration of the scope and outcomes from the inspection work commissioned following the independent inquiry into child sexual exploitation.

Subsequent to this, KPMG have completed their work and reported their VFM Conclusion to Audit Committee on 11 March 2015.

The adverse conclusion they reached that the Council has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014 is reflected in the Final Annual Audit Letter attached to this report.

The VFM Conclusion was formally issued on 26 March 2015 and the 2013/14 audit has now been concluded.

### 6. Recommendations

**That the Audit Committee notes the Final Annual Audit Letter 2013/14 presented to the Council by its external auditors, KPMG LLP, and approves its publication on the Council's website.**

## **7. Proposals and Details**

The purpose of the Annual Audit Letter (AAL) is to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considers should be brought to the attention of the Council.

The Interim Annual Audit Letter 2013/14 presented to Audit Committee on 19 November 2014 informed members that KPMG had not been able to issue their VFM Conclusion pending consideration of the scope and outcomes from the inspection work commissioned following the independent inquiry into child sexual exploitation.

Subsequent to this, KPMG have completed their work and reported their VFM Conclusion to Audit Committee on 11 March 2015.

The adverse conclusion they reached that the Council has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014 is reflected in the Final Annual Audit Letter attached to this report.

The remaining headline messages contained in the Final Annual Audit Letter are unchanged from the Interim.

It is worth noting, that, although an adverse VFM Conclusion has been issued, KPMG have not felt it necessary to issue any high priority recommendations relating to Value for Money as the Council is in the process of developing an improvement plan to address the weaknesses identified in the corporate governance inspection.

## **8. Finance**

The planned audit fee for 2013/14 was £186,300. However, KPMG are seeking approval from Public Sector Audit Appointments Ltd (the successor body to the Audit Commission set up by the Local Government Association to manage public sector audit appointments following the Audit Commission's abolition on 31 March 2015) for an increase in the fee of £9,834. This is to cover the additional audit work undertaken to reach and report on their Value for Money conclusion.

## **9. Risks and Uncertainties**

The proposed audit fee for 2014/15 of £186,300 was based on the assumption that the general level of risk in relation to the audit remains unchanged. KPMG are reviewing their risk assessment, in the light of the adverse VFM Conclusion reached in 2013/14, which may impact on the

scale of the work they need to perform in 2014/15 and, hence, the audit fee.

A revised 2014/15 Audit Plan will be presented to the Council in due course once KPMG have had an opportunity to complete their review.

## **10. Policy and Performance Agenda Implications**

As the improvement plan being developed by the Commissioners following their appointment on 26 February 2015 is not due to be put into effect until early 2015/16, there has been little opportunity to address the weaknesses identified by the corporate governance inspection published on 4 February 2015 and this may have a negative impact on the VFM Conclusion reached by KPMG in 2014/15.

## **11. Background Papers and Consultation**

KPMG Final Annual Audit Letter 2013/14  
KPMG Annual Audit fee Letter 2014/15  
Audit Committee – 19 November 2014  
Audit Committee – 11 March 2015

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