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Annual Audit Letter 2013/14

Rotherham Metropolitan Borough
Council

27 March 2015



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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.

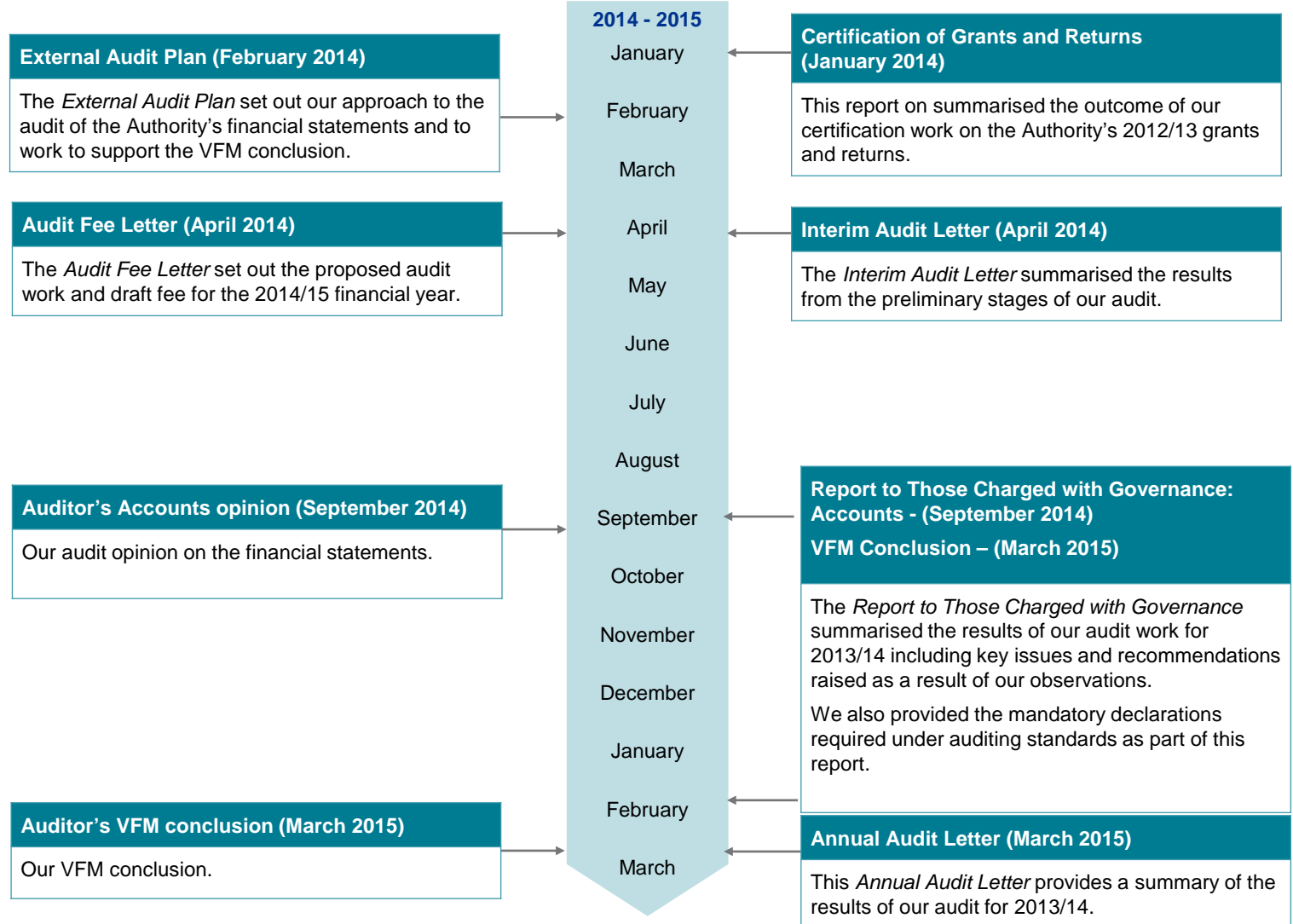
If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. 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.

<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.
<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. During the course of the audit a third risk emerged regarding governance arrangements. These areas are addressed below.</p> <p><u>Digital Region Limited (DRL)</u></p> <p>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></p> <p>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><u>Governance arrangements</u></p> <p>In November 2014, OFSTED published its judgement that Children's Services were overall inadequate. This therefore questioned the Authority's arrangements to deliver quality services for children. In February 2015, the Report of the Inspection of Rotherham Metropolitan Borough Council was published and highlighted significant governance weaknesses. Specifically it reported the Authority was not fit for purpose and failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions.</p> <p><u>Overall conclusion</u></p> <p>In the context of our VFM conclusion, the significant weaknesses identified in the Authority's arrangements mean we were unable to be satisfied the Authority has arrangements to secure economic, efficient and effective use of resources and therefore we issued an adverse conclusion on 26 March 2015.</p>

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 financial statements audit work. Although we issued an adverse VFM conclusion, we did not feel it was appropriate to issue any VFM recommendations, as the Authority is in the process of developing an improvement plan, to address weaknesses in arrangements, following the Directions issued under the Local Government Act 1999 and Education Act 1996.
Certificate	We issued our audit certificate on 26 March 2015.
Audit fee	Our fee for 2013/14 is £186,300 to date (excluding VAT), however we are in the process of agreeing a fee variation with both the Authority and Audit Commission regarding the additional work in relation to our VFM Conclusion . 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 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 we are in the process of agreeing a fee variation with the Authority and Audit Commission in relation to the additional work we have had to complete relation to our VFM Conclusion.

Certification of grants and returns

Our fee for grants work in 13/14 was £19,733. This was confirmed through our report on the *Certification of Grants and Returns 2013/14* which was issued in January 2015.



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