



cutting through complexity

Annual Audit Letter 2014/15

Rotherham Metropolitan Borough
Council

29 October 2015



The contacts at KPMG in connection with this report are:

Tim Cutler

Partner

KPMG LLP (UK)

Tel: 0161 246 4774

tim.cutler@kpmg.co.uk

Debra Chamberlain

Senior Manager

KPMG LLP (UK)

Tel: 0161 246 4189

Debra.chamberlain@kpmg.co.uk

Amy Warner

Assistant Manager

KPMG LLP (UK)

Tel: 0113 231 3089

Amy.warner@kpmg.co.uk

Report sections

- Headlines

Appendices

1. Summary of reports issued
2. Audit fees

Page

2

4

5

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 issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. . If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, the lead contact work under our contract with Public Sector Audit Appointments Limited. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 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 2014/15 financial statements and the 2014/15 VFM conclusion.

<p>VFM conclusion</p>	<p>We issued a qualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 24 September 2015. This means that we have concluded that the Authority has not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2015.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
<p>VFM risk areas</p>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>We identified the following VFM risks in our External audit plan 2014/15 issued in July 2015:</p> <ul style="list-style-type: none"> ■ Governance Arrangements; ■ Financing Child Sexual Exploitation Claims; and ■ Budget Pressures. <p>We worked with officers throughout the year to discuss this VFM risk and our detailed findings were reported in the ISA260.</p> <p>We identified the following significant matters:</p> <ul style="list-style-type: none"> ■ The 'Report of Inspection of Rotherham Metropolitan Borough Council' (the Inspection) was only published in February 2015, which led to the Government appointing five Commissioners on the 26th February 2015 to take on all executive responsibilities at the Council. In March, the Commissioners launched the 'Statement of Rotherham Commissioners' mission': "To help the Council secure a safe environment for children and ensure good, sustainable services and regulation such that healthy democratic leadership and accountability can be restored". The mission included twelve key outcomes which have been published. Given that the VFM assessment is for the year ended 31st March 2015, there was only a very limited opportunity for Commissioners to make the changes required towards achieving the mission. Although not covered by the 2014/15 VFM assessment, the Authority has made progress over the six months to the date of this report. The Authority has developed and published a children's improvement plan and a comprehensive corporate improvement plan (A Fresh Start) which address the findings of the Inspections and Commissioners have recently presented an interim (6 monthly) report to DCLG to show the progress made in that period. We will consider and review this progress as part of our VFM conclusion work in 2015/16.
<p>Audit opinion</p>	<p>We issued an unqualified opinion on the Authority's financial statements on 24 September 2015. This means that we believe 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>

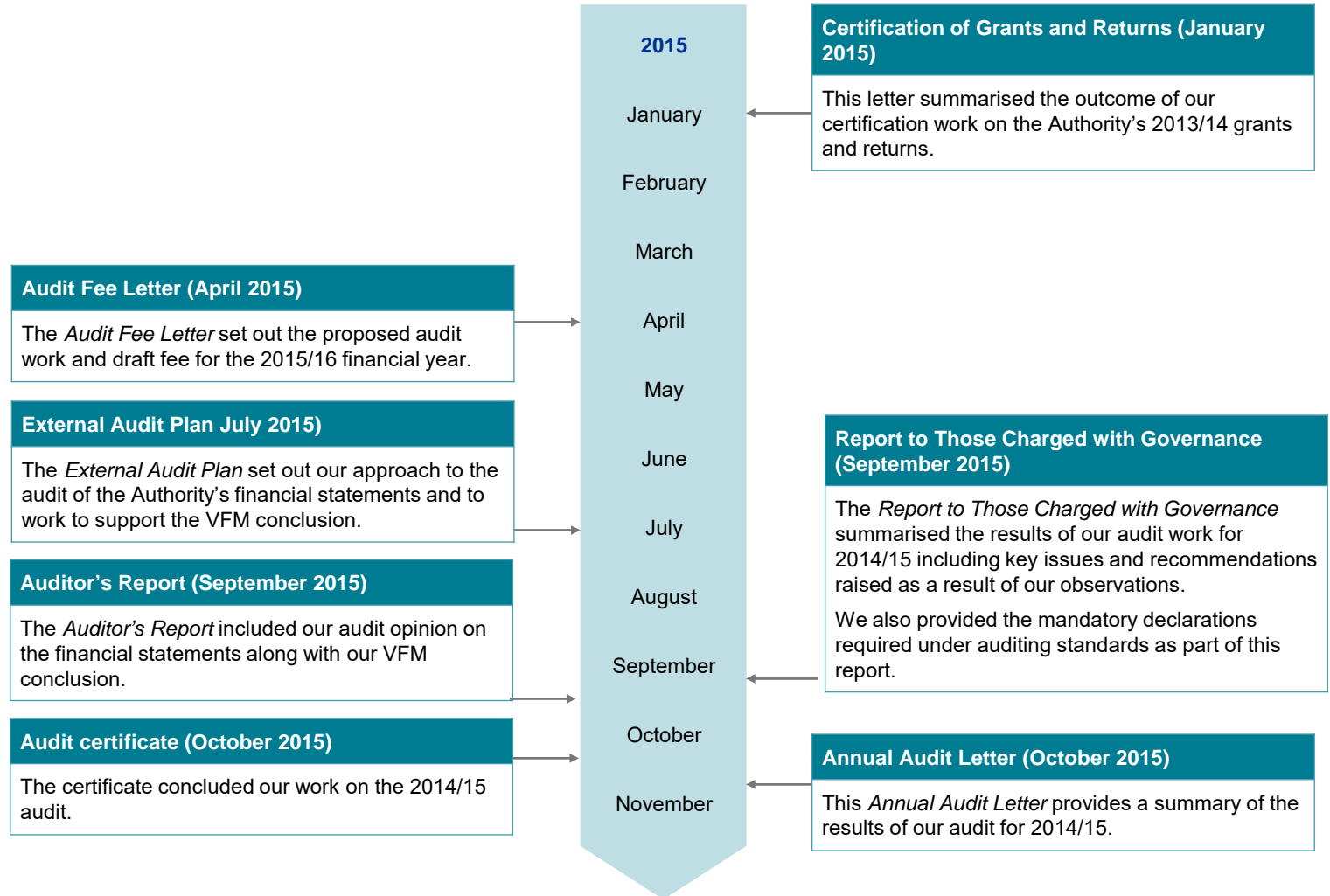
All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

Financial statements audit	<p>Our audit has identified a prior period adjustment totalling £16.3m relating to school land that should have been written out of the balance sheet in 2013/14. This is due to clarification in guidance during the year that land associated with schools which have converted to an academy should be removed rather than retained on the Council's balance sheet. This is a technical accounting adjustment and overall has nil impact on the 2014/15 financial statements.</p> <p>The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. The quality of working papers provided was good and in the main met the standards specified in our Accounts Audit Protocol.</p> <p>We did not identify any further significant adjusted or unadjusted audit differences. We identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code'). The Authority addressed all significant changes.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>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.</p>
Certificate	<p>We issued our certificate on 14 October 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2014/15 was £187,770, excluding VAT. Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £187,770 which is above the planned fee by £1,470 which relates to the National Non-Domestic Rates return.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

For 2014/15 we are undertaking certification work on the Teachers Pensions Agency return, the Pooling of Housing Capital Receipts return and the Local Authority Major Schemes grant claim. These fall outside of the Public Sector Audit Appointment's certification regime. Whilst fees are still to be agreed they should not exceed £8k.



cutting through complexity

© 2015 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.