



# Annual Audit Letter 2017/18

**Rotherham  
Metropolitan Borough  
Council.**

31<sup>st</sup> August 2018



A group of business professionals in a meeting, looking at documents. The image is a close-up, slightly blurred, showing several people in business attire. A woman with dark hair is on the left, looking down. A man with grey hair is in the center, also looking down. A woman with dark hair is on the right, looking down. They are all wearing suits and ties. The background is out of focus.

**Section one**

# Summary for Audit Committee

# Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Rotherham Metropolitan Borough Council in relation to the 2017-18 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

## Audit opinion

We issued an unqualified audit opinion on the Authority's financial statements on 31<sup>st</sup> July. 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.

## Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £11 million which equates to around 1.6 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £550k for the Authority.

We have identified four adjusted audit differences with a total value of £993k. These adjustments do not impact the prime financial statements.

We identified eight unadjusted audit differences, with a balance sheet impact of £8,559k and an I&E impact of £1,507k. As the majority of these related to estimates in property, plant and equipment, we did not require an amendment as the actual value of the adjustments was not certain.

We also identified a small number of minor presentational errors, such as prior year balances not being updated in one note, and a number of typographical errors. These were amended in the final set of financial statements.

Our audit work was designed to specifically address the following significant risks:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We considered the way in which the Authority ensures that assets not subject to in-year revaluation are overall not materially misstated. As part of our work we identified a number of audit adjustments. These are unadjusted audit differences.
- **Pensions Assets & Liabilities** – The valuation of the Authority's pension liabilities and assets, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We have reviewed the processes in place to ensure accuracy of data provided to the Actuary and considered the assumptions used in determining the valuation. We identified one unadjusted audit difference in relation to valuation of pension assets. No other issues were identified as a result of our work
- **Faster Close** – The timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We worked with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work. We noted that more errors around PPE were identified during our work, which is in part due to faster close as the finance team had less time to discuss things with the valuers.



## Section one:

# Summary for Audit Committee (cont.)

## Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

## 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.

## Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31<sup>st</sup> July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

## Value for Money risk areas

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.

Our work identified the following significant matters:

- **Financial Sustainability** – As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years. We have considered the way in which the Authority identifies, approves, and monitors both savings plans and how budgets are monitored throughout the year. We did not identify any issues as a result of our work.
- **Delivery of Children's Services Improvement Plan** – In 2017/18 the Authority has continued to work towards delivering the improvement plan set up in order to allow the full return of powers from the Commissioners. We considered progress against this plan, and found that the improvement plan has been fully implemented, and the Authority continues to work hard ensuring it delivers a high quality children's service and respond to any regulator comments.

## High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

## Section one:

# Summary for Audit Committee (cont.)

## Certificate

We issued our certificate on **31<sup>st</sup> August 2018**. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

## Audit fee

Our fee for 2017-18 was £140,828, plus VAT (£144,028 in 2016/17), which is a reduction of 2% from the prior year. The prior year audit fee included an agreed uplift for additional work undertaken in relation to VFM. Further detail is contained in Appendix 2.

## Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.



# Appendices



## Appendix 1:

# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority's website at [www.rotherham.gov.uk](http://www.rotherham.gov.uk).

### External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to support the VFM conclusion.

### Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations. We also provided the mandatory declarations required under auditing standards as part of this report.

### Auditor's Report

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

### Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.

2018

January

February

March

April

May

June

July

August

September

October

## Appendix 2:

# Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

### External audit

Our final fee for the 2017-18 audit Rotherham Metropolitan Borough Council was £140,828, which is in line with the planned fee.

### 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 planned fee for this work is £15,826 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

We are also in the process of agreeing the fees for the audit of the 17/18 teachers pension return and the pooling of housing capital receipt return which are outside of Public Sector Audit Appointment's certification regime.

### Other services

We also charged £16,500 for other non- audit services (Demand and service area Consumption work). This work was not related to our responsibilities under the Code of Audit Practice.





The key contacts in relation to our audit are:

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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.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 the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). 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](mailto: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.

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