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Annual Audit Letter 2013/14

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Sheffield City Council

October 2014



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This report is addressed to the Council and has been prepared for the sole use of the Council. 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 Sue Sunderland, the appointed engagement lead to the Council, 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, who is 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.

This report summarises the key findings from our 2013/14 audit of Sheffield City Council (the Council).

Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Council's 2013/14 financial statements and the 2013/14 VFM conclusion.

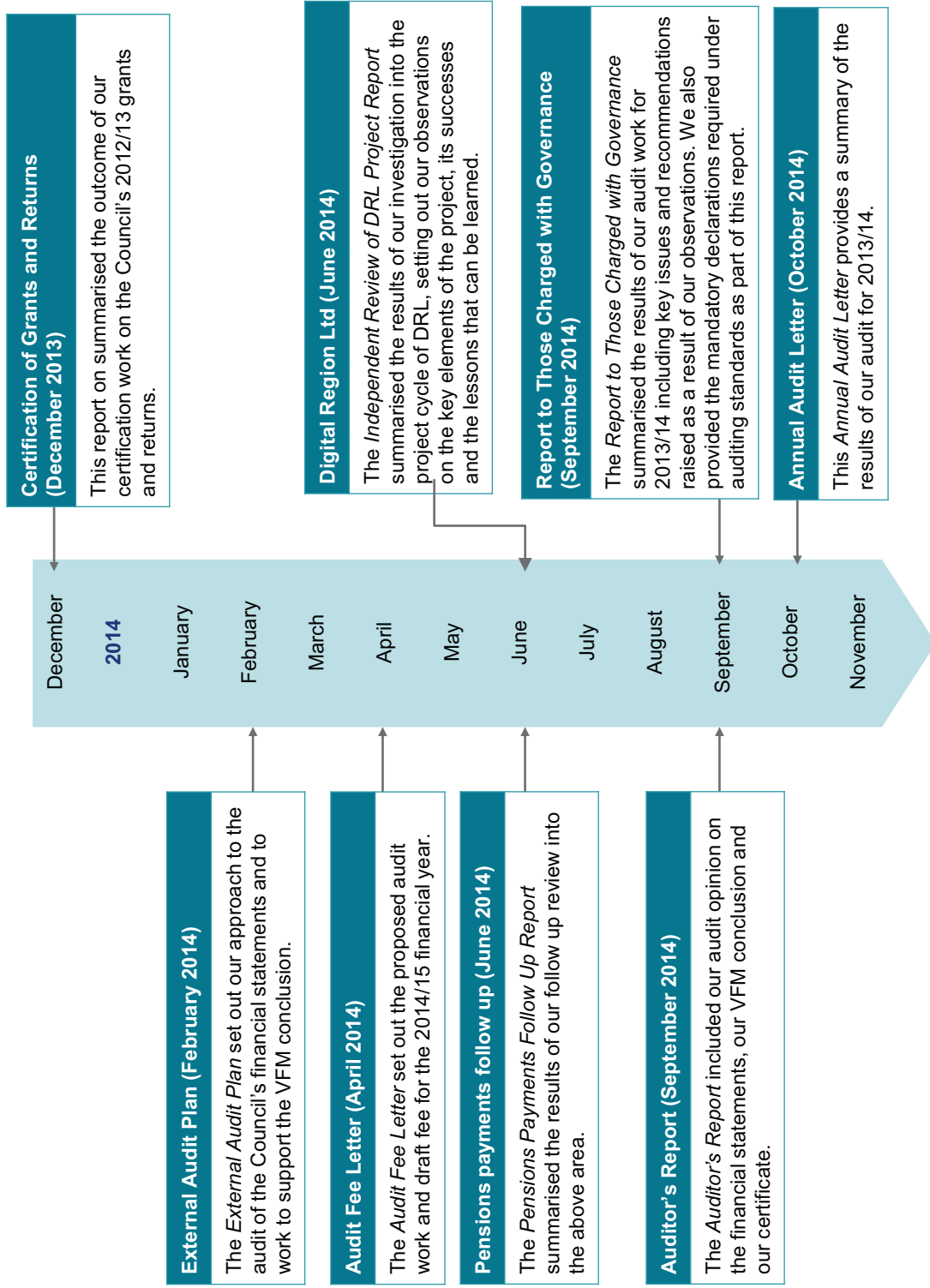
<p>VFM conclusion</p>	<p>Our VFM conclusion considers how the Council secures financial resilience and challenges how it secures economy, efficiency and effectiveness.</p> <p>We issued an 'except for' qualified conclusion on the Council's arrangements to secure value for money (VFM conclusion) for 2013/14 on 26th September 2014. We considered that weaknesses in the management and leadership of the Adult Social Care Service identified by an internal review, and the service inefficiencies that were uncovered by the review, were significant enough to justify the qualification of our assessment of the Council's arrangements for challenging how it secures economy, efficiency and effectiveness. We recognised that the Council is taking effective action to address the issues identified, and reported on the issues and the progress in resolving them to its July 2014 Audit Committee.</p> <p>We were satisfied that the Council maintained proper arrangements for securing financial resilience.</p>
<p>VFM risk areas</p>	<p>We identified a number of significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> ■ The Council has carried out a detailed and thorough review of the causes of the over-spends within Adult Social Care, and the results were reported to its Audit Committee in July 2014. This review made a significant number of recommendations, which will be monitored by future meetings of the Audit Committee; ■ The Council continues to deliver very significant savings year on year, and overall to deliver its budgeted outcomes, despite the significant overspends within Adult Social Care; ■ To date the costs of winding up Digital Region Ltd (DRL - the company set-up to provide broadband across SY) have been contained within the anticipated provision; and ■ A financial settlement has finally been agreed, and sums received from, the other three SY Metropolitan Authorities in respect of the losses incurred when the SY Trading Standards Unit was wound up.
<p>Audit opinion</p>	<p>We issued an unqualified opinion on your financial statements on 26 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year.</p>
<p>Financial statements audit</p>	<p>The Council has continued to produce good quality accounts, well supported by working papers. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales. These strong processes meant that only limited amendments were made following our audit.</p>
<p>Annual Governance Statement</p>	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

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

<p>Whole of Government Accounts</p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Council's pack was consistent with the audited financial statements.</p>
<p>High priority recommendations</p>	<p>We raised no high priority recommendations as a result of our 2013/14 audit work. We did raise one medium priority recommendation in relation to the need for further improvements to be made in the timeliness and accuracy of information passed to SY Pensions Authority, and re-iterated one medium priority recommendation from 2013 that the unresolved balance on the Credit Clearing Account should be cleared.</p>
<p>Certificate</p>	<p>We issued our certificate on 26th September 2014.</p> <p>The certificate confirms that we have concluded the audit for 2013/14 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> <p>During 2014 we were also able to resolve two objections that had been made in respect of the Council's 2011/12 accounts.</p> <ul style="list-style-type: none"> ■ We did not uphold the objection that the Council had failed to calculate properly in its 2011/12 accounts the sums due to it in respect of SY Trading Standards Unit. ■ We did uphold an objector's view that the Council had failed to maintain proper documentation to demonstrate that it had set taxi licenses with due regard to legislative requirements. However we concluded that we did not need to take any action under our statutory powers, and that taking taxi licensing fees as a whole the fees set were broadly reasonable. We did form the view that there were improvements that can be made to the information presented to the Council's Licensing Committee, and in the underpinning financial information, and we made recommendations accordingly. The Council accepted these recommendations. <p>Following the resolution of these recommendations we were also able to issue our certificates in respect of the 2011/12 and 2012/13 audits on 17th April 2014.</p>
<p>Audit fee</p>	<p>Our fee for 2013/14 was £261,939, excluding VAT. This fee comprises the scale fee for the main audit of £247,860, and additional fees for liaison on the Council's proposed accounting for the financial restructuring of Major Sporting Facilities debt, responding to questions from electors during 2013/14, and a variation to the scale fee to reflect additional procedures required as part of the audit in respect of non domestic rates, following the ending of certification of the non domestic rates return. These additional fees have been agreed by the Council, but in some cases are subject to final determination by the Commission. 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 provides information on our final 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 final fee for the 2013/14 audit of the Council was £261,939. This compares to a planned fee of £247,860. The reasons for this variance are:

- the Commission has agreed an increase in the scale fee of £1,470 to reflect additional procedures required as part of the audit since we can no longer place reliance on procedures carried out as part of our certification of an NNDR return (this return ceased from 2013/14);
- £8,004 of extra fee was agreed for additional work on liaison with officers on the Council's proposed accounting for financial restructuring of Major Sporting Facilities debt; and
- £4,605 of additional time was spent responding to questions from electors during 2013/14.

All additional fees have been discussed and agreed with the Council. The fee for responding to electors is still subject to final determination by the Audit Commission.

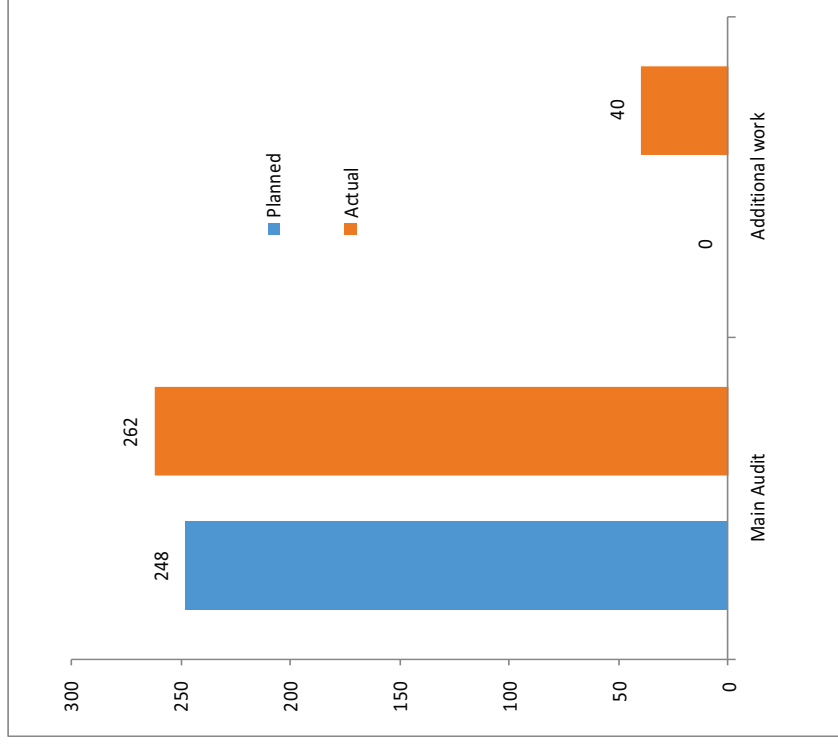
Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue in January 2015.

Other services

We also charged £7,500 for an independent review of the Digital Region project, £12,800 for advice on various pensions matters, and £19,900 for a review of the financial governance of Sheffield International Venues. These pieces of work were not related to our responsibilities under Audit Commission's *Code of Audit Practice*.

External audit fees 2013/14 (£'000)





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