

AUDIT COMMITTEE REPORT

13 DECEMBER 2012

ANNUAL AUDIT LETTER

Report of the External Auditor, KPMG.

18 October 2012

Members
Sheffield City Council
Town Hall
Pinstone St
Sheffield
S1 2HH

Direct line 0844 798 4314
Email j-prentice@audit-
commission.gov.uk

Dear Member

Sheffield City Council Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Sheffield City Council.

Financial statements

On 26th September 2012 I presented my Annual Governance Report to the Audit Committee outlining the findings of my audit of the Authority's 2011/12 financial statements. In general I will not replicate those findings in this letter.

Digital Region Ltd

I did however draw the Audit Committee's attention to the risks surrounding the financial position and re-procurement exercise for Digital Region Ltd (DRL), the joint venture between the four South Yorkshire local authorities and Yorkshire Forward to provide broadband services across South Yorkshire.

In my AGR I commented that I had reviewed the processes by which the Council considered its response to the financial problems faced by DRL. I had not identified weaknesses in the processes applied by the Council in the year ended 31 March 2012 to evaluate the options available to it, including to evaluate and to manage the risks to which it was exposed. That is not to say that the decision to re-tender is without risk. But the Council has taken a decision with its eyes open as to the potential costs and benefits of the options available to it.

The in-coming auditor, KPMG, will decide whether to comment further on this matter in relation to their duties for 2012/13 onwards.

Audit opinion

Following the Audit Committee, on 28 September 2012 I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts; and
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

I am unable to certify completion of the audit because I have received two objections to the Council's 2011/12 accounts which will be determined by the incoming auditor after 1 November.

Duties under the Audit Commission Act 1998

While I did not take any action using my powers under the Act, when determining the two objections, the incoming auditor will need to consider whether they should exercise their powers under the Audit Commission Act 1998.

Fees

In my Annual Governance Report I outlined the likelihood of an additional audit fee due to the objections and a number of other potential issues raised by local authority electors. Table 1 includes the revision to the audit fee that I have now agreed with the Director of Finance.

Table 1 Fees

	Planned fee 2011/12 (£)	Actual fee 2011/12 (£)
Main Audit	413,100	413,100
Fees associated with additional work on DRL and queries from electors	0	8,500
Claims and returns	98,000	98,000
Non-audit work	8,800	8,800
Total	519,900	528,400

The Audit Commission has paid a rebate of £33,048 from internal efficiency savings, reducing the net amount payable to £495,352.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Director of Resources. While this has been another challenging year for the Authority I wish to thank Council staff, particularly the finance staff, for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Committee for their support and co-operation during the audit.

Yours sincerely

John Prentice
District Auditor

This page is intentionally left blank