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Annual Audit Letter 2014/15

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Sheffield City Council

October 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 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.a.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 **Sue Sunderland**, 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, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@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, 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 Sheffield City 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.

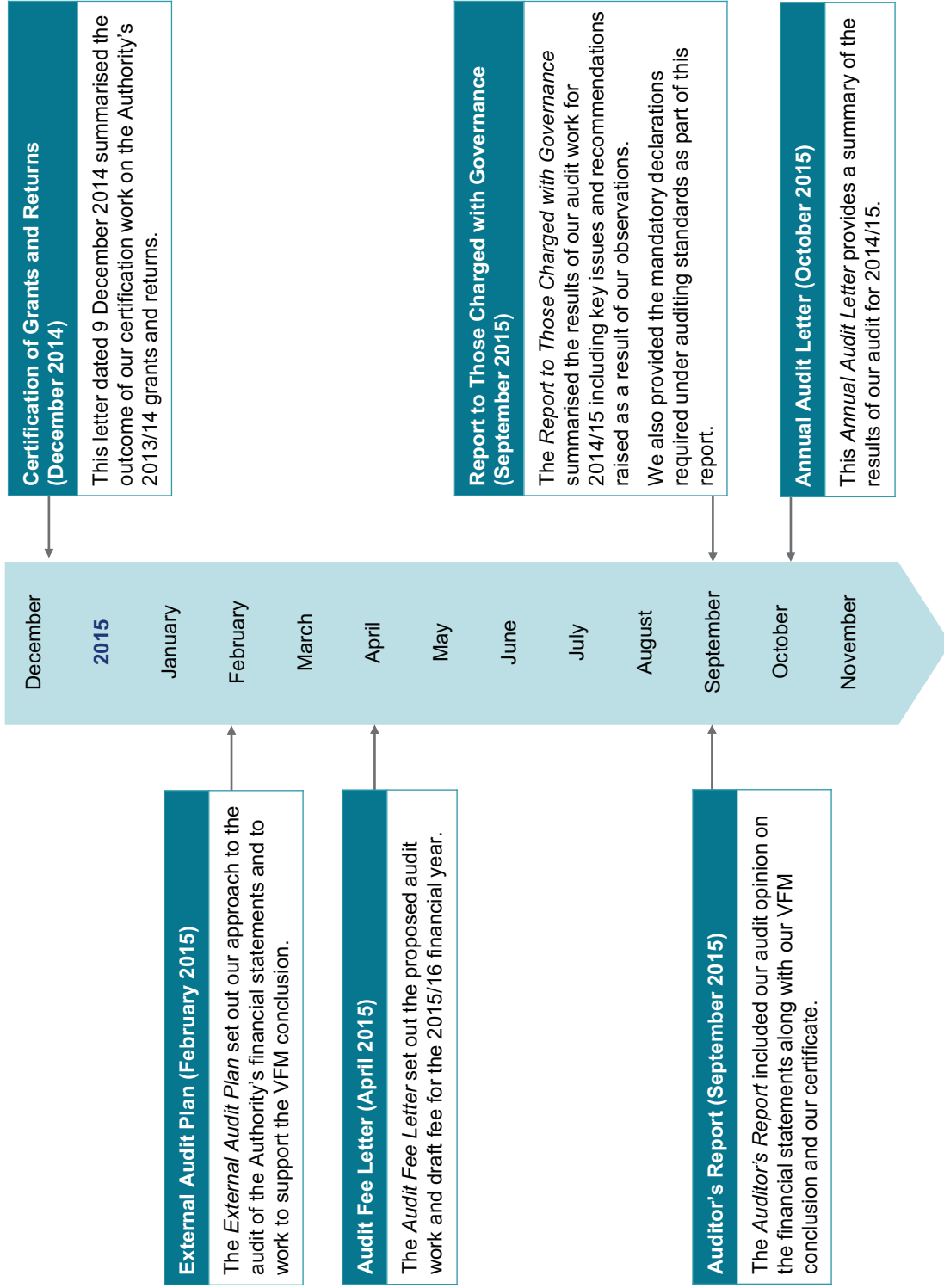
<p>VFM conclusion</p>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 28 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</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.</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>Our initial risk assessment work at the planning stage of the audit identified the following significant matters:</p> <ul style="list-style-type: none"> ■ Challenges linked to the ongoing need to deliver savings and cost reductions to maintain financial resilience. ■ the management of adult social care following our qualification of the VFM conclusion in 2013/14. <p>Our detailed risk assessment provided sufficient assurance that the Council's arrangements around financial planning were adequate. However, we concluded that we needed to carry out additional work this year to assess the progress made in addressing last year's issues around Adult Social Care.</p> <p>Throughout the course of the financial year the Council has continued to implement the agreed action plan to address the issues that arose in Adult Social Care during 2013. Although further progress needs to be made, we are satisfied that the Council has arrangements in place to address the remaining risks in the service. We therefore concluded that there was no need to continue last year's qualification.</p> <p>Although we concluded that adequate arrangements are in place to manage the Authority's finances we have noted that the financial position will remain a challenge, in particular there will be an need to:</p> <ul style="list-style-type: none"> ■ make further substantial financial savings and cost reduction to close the predicted gap between funding and demand for services in future years ■ adjust housing business plans to reflect the impact of the annual 1% rent reduction over the next 4 years.
<p>Audit opinion</p>	<p>We issued an unqualified opinion on the Authority's financial statements on 28 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>
<p>Financial statements audit</p>	<p>We identified one material misstatement (which was presentational only) in the course of the audit which was corrected by officers.</p> <p>The Council has continued to produce good quality accounts, well supported by working papers. In particular for the past three years the Council has produced and made available its working papers electronically, which greatly facilitates our audit. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</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.

Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
Whole of Government Accounts	The Authority prepares a consolidation pack 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 raised no high priority recommendations as a result of our 2014/15 audit work.
Certificate	We issued our certificate on 28 September 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 <i>Audit Commission's Code of Audit Practice</i> .
Audit fee	Our fee for 2014/15 was £253,935, excluding VAT. Further detail is contained in Appendix 2.

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 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 was £253,935 which includes the additional £1,470 incorporated into the scale fee by the Audit Commission linked to the increased audit requirements around NNDR. The additional £4,605 relates to the cost of previous year’s objections which were closed in 2013/14.

Certification of grants and returns

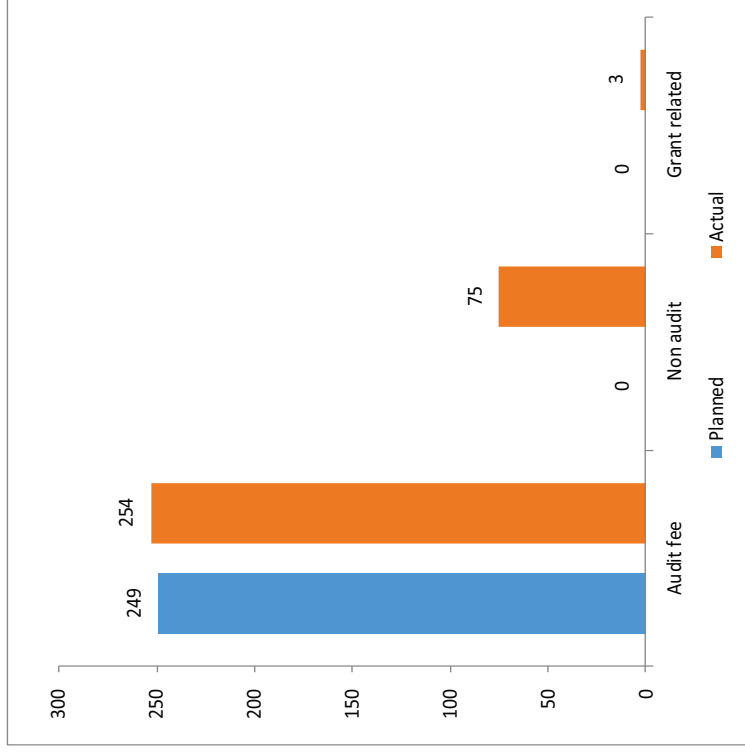
Under our terms of engagement with Public Sector Audit Services (PSAA Ltd) we undertake prescribed work in order to certify the Authority’s housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016. During 2014/15 we charged £3,250 for audit of the Teacher’s Pensions grant claim – which falls outside of the PSAA Ltd fee structure.

Other services

We also charged £51,000 for a review of financial grip within Adult Social Care plus £24,800 for a report on the Economic Impact of Connectivity.

This work was not related to our responsibilities under Audit Commission’s *Code of Audit Practice*.

To ensure that there has been no compromise to our independence from carrying out this work each proposal is carefully considered against ethical standard requirements before agreeing that the work can be done. As an additional safeguard, PSAA Ltd review any proposals for work that would take us above 20% of the audit fee and their approval is required before work can commence.





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