



cutting through complexity™

External Audit: Progress Report

London Borough of Brent

January 2013

London Borough of Brent

External Audit: Progress report 2012/13

Summary of work performed by KPMG	<p>KPMG was formally appointed as the Council's external auditor on 1 September 2012.</p> <p>Since then we have :</p> <ul style="list-style-type: none"> Prepared an annual report setting out the results of the 2011/12 grant claims and certification work performed by the Audit Commission and KPMG – this is a separate item on the agenda; and Commenced our planning for the 2012/13 accounts audit: and Responded to a letter that raised concerns over changes in senior management.
Summary of work proposed over next quarter	<p>Our work over the next quarter will focus on:</p> <ul style="list-style-type: none"> Finalising the planning for our 2012/13 financial statements and value for money audits; Preparing our 2012/13 Audit Plans for the Council and its Pension Fund for presentation at the Audit Committee on 20 March 2013; Planning our interim accounts audits which provides assurance over the key financial controls supporting the production of financial information for inclusion within your 2012/13 financial statements. The interim fieldwork will commence in March 2013; Discussing with officers the arrangements for our opinion audit visit including the working papers that we would expect the Council to prepare to support the financial statements audit, thereby maximising the efficiency of the audit progress.
Audit approach	<p>We have a detailed audit approach that enables us to deliver an efficient audit. The main stages are summarised below.</p> <div> <div> <div>1</div> <div>Planning</div> <div>1</div> </div> <div> <div>2</div> <div>Control evaluation</div> <div>2</div> </div> <div> <div>3</div> <div>Substantive testing</div> </div> <div> <div>4</div> <div>Completion</div> </div> </div> <div> <ul style="list-style-type: none"> Perform risk assessment procedures and identify risks. Determine audit strategy and identify critical accounting matters. Determine planned audit approach. <ul style="list-style-type: none"> Understand accounting and reporting activities. Evaluate design and implementation of selected controls. Test operating effectiveness of selected controls. Assess control risk and risk of significant misstatements. <ul style="list-style-type: none"> Plan substantive procedures. Perform substantive procedures. Consider if audit evidence is sufficient and appropriate. Conclude on critical accounting matters. <ul style="list-style-type: none"> Perform completion procedures. Perform overall evaluation of the financial statement and disclosures. Form an audit opinion. Audit Committee Reporting </div> <div> <div>1</div> <div>Preliminary decision of controls or substantive approach for each audit objective.</div> </div> <div> <div>2</div> <div>Confirm or update decision on controls or substantive approach for each audit objective.</div> </div>

London Borough of Brent

External Audit: Progress report 2012/13

2012/13 fees	The combination of outsourcing the Audit Commission's in-house Audit Practice and internal savings mean that the Audit Commission has been able to pass on a significant reduction in audit fees this year. The individual scale fees that the Audit Commission has set for the London Borough of Brent for 2012/13 are as follows:														
	<table><tr><th>Audit Area</th><th>2012/13 (Proposed Scale Fee)</th><th>2011/12 (Actual Fee)</th></tr><tr><td>Audit of London Borough of Brent</td><td>£263,520</td><td>£439,200</td></tr><tr><td>Audit of Pension Fund</td><td>£21,000</td><td>£35,000</td></tr><tr><td>Certification of grant claims</td><td>£39,500</td><td>£69,338</td></tr></table>			Audit Area	2012/13 (Proposed Scale Fee)	2011/12 (Actual Fee)	Audit of London Borough of Brent	£263,520	£439,200	Audit of Pension Fund	£21,000	£35,000	Certification of grant claims	£39,500	£69,338
	Audit Area	2012/13 (Proposed Scale Fee)	2011/12 (Actual Fee)												
	Audit of London Borough of Brent	£263,520	£439,200												
	Audit of Pension Fund	£21,000	£35,000												
Certification of grant claims	£39,500	£69,338													
Our fee is contingent on the following:															
<ul style="list-style-type: none">• you will inform us of any significant developments impacting on our audit;• internal audit meets appropriate professional standards and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit;• good quality working papers and records will be provided at the start of the final accounts audit;• your financial statements are made available for audit in line with the agreed timescales;• prompt responses will be provided to queries and draft reports; and• additional work will not be required for any special investigations or responding to letters from members of the public.															
<p>It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. We have also assumed that there will be no significant changes to the regulatory framework you operate in.</p> <p>Our plan for the audit of the 2012/13 financial statements will be presented at the Audit Committee meeting on 20 March 2013. This will detail the risks identified, planned audit procedures, and (if required) any changes in fee.</p>															
Actions	The Audit Committee is asked to:														
	<ul style="list-style-type: none">• NOTE this progress report.														
Contacts	Andrea White <i>Director</i> KPMG LLP Tel: 020 7311 2238 Mob: 07879 667682 andrea.white@kpmg.co.uk		Steve Lucas <i>Senior Manager</i> KPMG LLP Tel: 020 7311 2184 stephen.lucas@kpmg.co.uk												

London Borough of Brent

External Audit: Progress report 2012/13

Local Government Update/ Topical Issue

Matter	Impact on the Council and insight from KPMG
<p>Key Local Government Emerging Issues</p> <p>Some of the key emerging issues that we believe local government authorities will face over the next five years are set out below.</p> <p>Financial and economic challenges</p> <p>The implications of a significant fall in local government funding, matched by increased service demands, are broad. Local authorities have to balance the risk of financial cuts against local economic and community impact. Councils will also have to focus on stringent cost controls and mitigating unplanned costs, such as rising pressures on social care budgets.</p> <p>Organisational change</p> <p>In a period of deep public sector austerity, major efficiency drives are required. The automatic reaction to this need for efficiency is often organisational rationalisation (or downsizing) and/or implementing shared service operations. Yet such measures are not without their own inherent risks. Considering the longer term impact of decisions made to assuage more immediate pressures can risk compromising the very savings they were intended to generate further down the line.</p> <p>Workforce management</p> <p>The Audit Commission found that only one-in-four English councils had adequate or effective workforce strategies in place. Without improving a council's approach to workforce planning, key corporate priorities such as service transformation, efficiency gains and mainstreaming equalities may be at risk.</p> <p>Supply chain</p> <p>Local authorities are increasingly entering into a broad range of relationships across the public, private and third sector. Many of these relationships underpin critical operations and service delivery. Unfortunately, outsourcing and partnership working failure has caused a variety of disasters and embarrassments, emphasising that supply chain risk is potentially catastrophic.</p> <p>Asset management</p> <p>The current fiscal environment will place local authorities under increasing financial pressure to improve their asset management both in terms of the need for efficiency gains and greater resilience concerning the remaining asset base. Emerging asset management opportunities, such as co-location in partnership working and shared services, plus the transfer of public assets to community ownership carry new risks and challenges.</p> <p>Data protection</p> <p>Managing information risk is a growing challenge for public sector organisations that collect, store and use a wide range of personal information. A Cabinet Office report on data handling procedures states that where local authorities hold or use personal information, they must act "as the custodian of that data and retain and build public confidence that information is held securely."</p> <p>Reputational damage</p> <p>In a 24/7 age of news and media, the risk of reputational damage is a growing issue as the public becomes increasingly aware and less tolerant of organisations that do not conform to regulatory, legal, societal and environmental expectations. For local government, the risk and challenge is perhaps even greater. A local authority – and its executive team – is at the very centre of the community and must retain the public's confidence at all times.</p>	<p>For information.</p> <p>The Council is facing an unprecedented level of change.</p> <p>We anticipate many of these issues will be faced by the Council over the next five years.</p>

London Borough of Brent

External Audit: Progress report 2012/13

Local Government Update/ Topical Issues

Matter	Impact on the Council and insight from KPMG
<p>Recent publications</p> <p>Tough times 2012 - Councils' responses to a challenging financial climate</p> <p>The Audit Commission published in November 2012 "Tough Times 2012" which looks at Councils' responses to the challenging financial climate. In their review, the Audit Commission found councils largely delivered their planned savings and in many cases added to reserves. However, a sizeable minority of councils had to make additional in-year cuts, seek additional funding, or restructure efficiency programmes in order to deliver their budgets.</p> <p>Report can be obtained from the Audit Commission's website www.audit-commission.gov.uk/nationalstudies/localgov/Pages/toughtimes2012.aspx</p> <p>Striking a balance - Improving councils' decision making on reserves</p> <p>'Striking a balance' presents the Audit Commission's findings from research undertaken during 2012 on the level of reserves that councils hold and on the decisions councils make relating to them.</p> <p>Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments. The report encourages English councils to focus more attention on the £12.9 billion set aside in their reserves. While it finds that councils routinely consider reserves as part of their annual budget setting, the report calls for officers to offer elected members clearer and more comprehensive advice, equipping them to make better-informed decisions. It also calls for greater clarity from councils about the reasons for holding reserves.</p> <p>Report can be obtained from the Audit Commission's website www.audit-commission.gov.uk/nationalstudies/localgov/Pages/Strikingabalance.aspx</p>	<p>For information.</p> <p>The Council is facing an unprecedented level of change.</p> <p>We anticipate many of these issues will be faced by the Council over the next five years.</p>