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External Audit: Progress Report

London Borough of Brent

January 2014

London Borough of Brent

External Audit: Progress report

<p>Summary of work performed by KPMG</p>	<p>Since the last Audit Committee meeting on 25 September 2013 we have issued for the financial year ending 31 March 2013 our;</p> <ul style="list-style-type: none"> • Unqualified audit opinion on 26 September 2013; • Unqualified VFM conclusion on 26 September 2013; • Consistency conclusion on your Whole of Government Accounts (WGA) on 11 October 2013; • Audit Certificate on 11 October 2013; and • Annual Audit Letter. <p>The Annual Audit Letter is attached to this report and includes more details on the above and includes a recommendation relating to the audit of the WGA.</p> <p>We also finalised our review of the appointment and departure of senior officers, the findings of which were reported in our Annual Governance Report and the attached Annual Audit Letter.</p> <p>We have completed our audit of your grant claims and issued our certificates on the four grant claims we are required to audit. A detailed grant report will be agreed with officers and presented to the next Audit Committee.</p> <p>The issue of the grant report will complete the work required for your 2012/13 financial year.</p>		
<p>Summary of work proposed over next quarter</p>	<p>Our work over the next quarter will focus on:</p> <ul style="list-style-type: none"> • Planning for our 2013/14 financial statements and value for money audits which will include meeting key officers; • Preparing our 2013/14 Audit Plans for the Authority and its Pension Fund for presentation at the Audit Committee on 19 March 2014; • Planning our interim accounts audit where we review the key financial controls supporting the production of financial information for inclusion within your financial statements; and • Discussing with officers the arrangements for our opinion audit visit and how we can ensure the audit is delivered with maximum efficiency for both the Authority and ourselves. 		
<p>Actions</p>	<p>The Audit Committee is asked to:</p> <ul style="list-style-type: none"> • NOTE this progress report. 		
<p>Contacts</p>	<table border="0"> <tr> <td data-bbox="262 1500 805 1786"> <p>Phil Johnstone <i>Director</i> KPMG LLP Tel: 020 7311 2091 Mob: 077 6974 2275 Philip.johnstone@kpmg.co.uk</p> </td> <td data-bbox="805 1500 1350 1786"> <p>Steve Lucas <i>Senior Manager</i> KPMG LLP Tel: 020 7311 2184 Mob: 078 2500 8824 Stephen.lucas@kpmg.co.uk</p> </td> </tr> </table>	<p>Phil Johnstone <i>Director</i> KPMG LLP Tel: 020 7311 2091 Mob: 077 6974 2275 Philip.johnstone@kpmg.co.uk</p>	<p>Steve Lucas <i>Senior Manager</i> KPMG LLP Tel: 020 7311 2184 Mob: 078 2500 8824 Stephen.lucas@kpmg.co.uk</p>
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External Audit: Progress report

Local Government Update

Matter	Impact on the Council
<p>Recent publications</p> <p>Tough Times 2013</p> <p>The Audit Commission's latest research, "Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14", shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p> <p>A survey of auditors appointed by the Commission, found that 89 per cent of councils experienced no significant difficulties in delivering their agreed budget in 2012/13 (compared with 88 per cent in 2011/12). The majority of councils (71 per cent) delivered their budgets without needing to take unplanned actions. Two thirds of councils (63 per cent) added to their reserves, while one third (37 per cent) reduced them. In aggregate, councils increased reserves by £0.9 billion in 2012/13 (7 per cent) – a smaller increase than in 2011/12.</p> <p>The Commission's research found that the three strategies most widely adopted by councils in response to their financial challenges since 2010/11 were: reducing overall staff numbers; delivering some services more efficiently; and reducing or restructuring the senior management team. From 2010/11 to 2012/13, reduced spending on staff accounted for 48 per cent of councils' total spending reductions.</p> <p>Auditors reported that some councils have found it harder to cope as funding levels have reduced. Three in ten councils (29 per cent) exhibited some form of financial stress in 2012/13, either experiencing significant difficulties in delivering their budget, taking unplanned actions to keep finances on track, or both.</p> <p>Auditors were concerned about the ability of one in ten councils to deliver their budget in 2013/14. A few of these have been a cause of concern in successive years. Factors giving auditors cause for concern this year included: the risk of councils not making adequate savings; rising cost pressures; weaknesses in financial controls; and uncertain prospects for income.</p> <p>About two-thirds of councils (64 per cent) were well placed, in the view of auditors, to deliver their medium-term financial plans. However, auditors have concerns about the medium-term financial prospects of one third of councils (36 per cent).</p> <p>The Commission also looked at what councils planned to spend on non-education services in 2013/14 compared with 2010/11. The largest average real-terms spending reductions by single tier and county councils were in planning and development services (37.6 per cent), cultural and related services (24.4 per cent) and General Fund housing services (23.4 per cent). Children's social care has been largely protected from spending reductions with councils increasing their spending by 1.2 per cent, on average, in real terms</p>	<p>For information.</p>

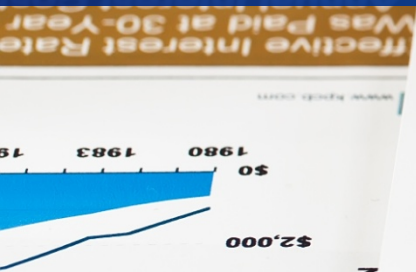


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Annual Audit Letter 2012/13

London Borough of Brent

October 2013



The contacts at KPMG in connection with this report 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. 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 Phil Johnstone, the appointed engagement lead to the Authority, 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 03034448330.

This report summarises the key findings from our 2012/13 audit of London Borough of Brent (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 2012/13 financial statements and the 2012/13 VFM conclusion.

VFM conclusion	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 26 September 2013</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
VFM risk area	<p>We identified two key risks to our VFM conclusion. The first was the Authority's plans to deliver its ongoing savings plan with £12m required in 2012/13 and an additional £7m in 2013/14 to address the further reductions to local authority funding</p> <p>We reviewed the budget monitoring arrangements and found these to be robust. The savings planned for 2012/13 were delivered in line with the plan with the General Fund reserve being increased to £12m.</p> <p>We found that the Medium Term Financial Plan had considered the potential funding reductions and that it was sufficiently robust to assist the Authority in delivering services while maintaining financial stability.</p> <p>The second risk related to the appointment and departure of senior officers. Our review found that the Authority had followed appropriate procedures and that there were no issues that impacted on our value for money conclusion.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 26 September 2013. 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. The financial statements also include those of the pension fund.</p>
Financial statements audit	<p>The audit of your financial statements identified one material adjustment within Property, Plant and Equipment and three non-trivial adjustments, none of which affected the Authority's financial position. There was no impact on the General Fund.</p> <p>The Authority has good processes in place for the production of the financial statements. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.</p>
Annual Governance Statement	<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 with the exception of the Whole of Government Accounts not meeting the audit deadline. The detailed findings are contained in the reports we have listed in Appendix 2.

Pension fund audit	There were no significant issues arising from our audit of the pension fund.
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. The Authority did not meet the deadline for submitting the pack to the auditors and there were delays in responding to audit queries. While we reported that the Authority's pack was consistent with the audited financial statements, this was completed on 11 October 2013, one week after the audit deadline. We have made a recommendation in Appendix 1 for the Authority relating to this.
Certificate	Due to the work on the Whole of Government Accounts not being completed at the time we issued our audit opinion, we were unable to issue our audit certificate with the opinion and VFM conclusion. We issued our audit certificate on 11 October 2013.
Audit fee	Our audit fee for 2012/13 was £272,367 (excluding VAT) for the audit of the Authority's financial statements and £21,000 (excluding VAT) for the audit of the Pension Fund. Further details are contained in Appendix 3.

Appendix 1: Key issues and recommendations

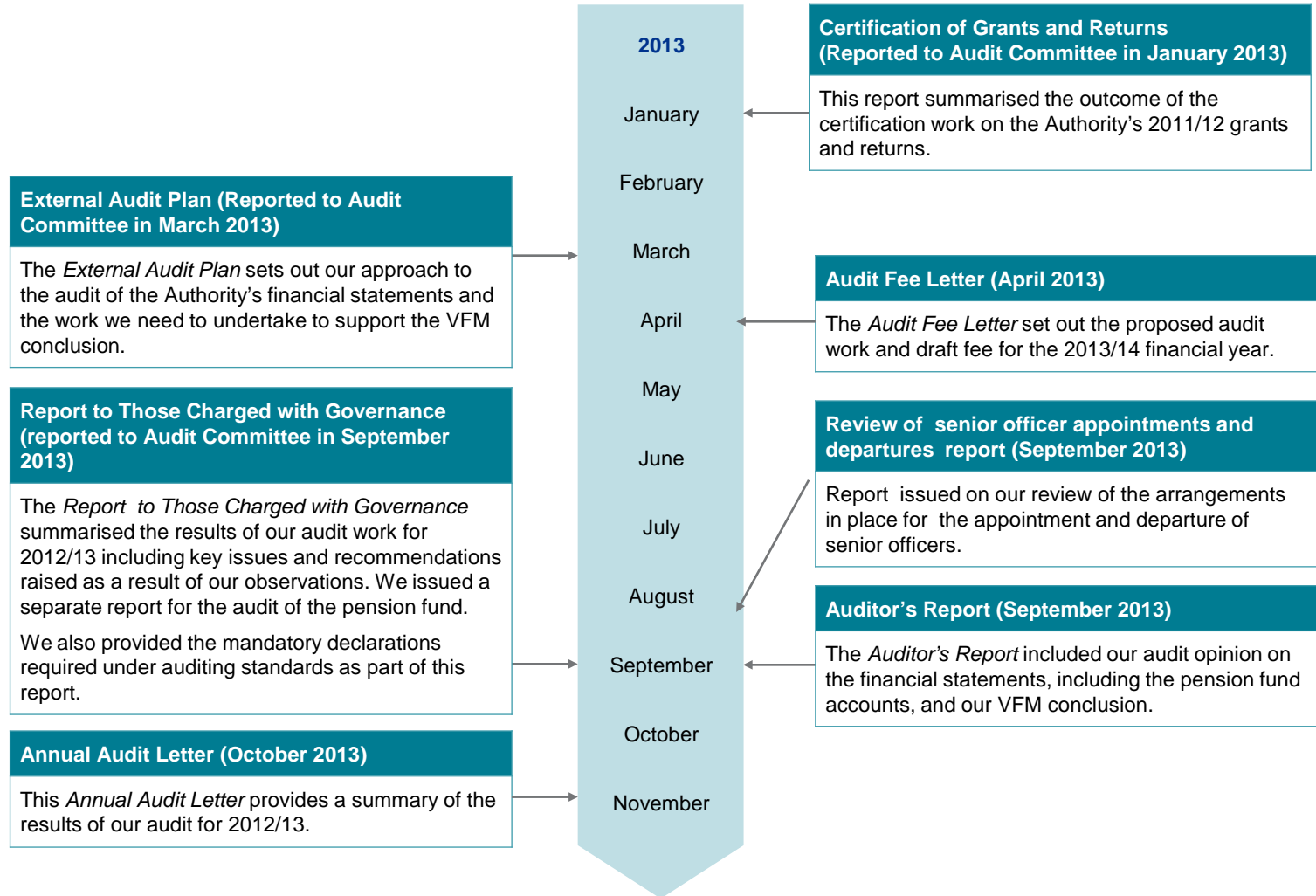
This appendix summarises the high priority recommendation that we identified during our 2012/13 audit, along with your response to it.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

No.	Issue and recommendation	Management response/ responsible officer/ due date
1	<p>There were delays in both the production of the Whole of Government Accounts and in responses to audit queries relating to them. The Authority also had technical problems with the consolidation pack which HM Treasury needed to resolve.</p> <p>We recommend that the Whole of Government Accounts consolidation pack and working papers are prepared to the same high standard as the main financial statements allowing time for internal quality review prior to audit.</p>	<p>There are two main elements to the improvements the Authority will make in this area:</p> <ol style="list-style-type: none"> (1) Under the new finance structure the process will be undertaken by those staff that lead on the main financial statements and incorporated into that process to improve timeliness (2) The upgrade of the financial system this year includes the joint development by six councils to simplify production of financial accounts including the WGA. To make best use of this, the process used will be redesigned to take advantage of the improved chart of accounts <p>Lead Officer: Mick Bowden, Operational Director - Finance Due Date: 30/6/14</p>

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since your last *Annual Audit Letter*.



This appendix provides information on our final fees for 2012/13.

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 2012/13 planned audit fee.

External audit

The initial scale fee set by the Audit Commission for the audit was £263,520. Due to additional risks identified to the value for money conclusion in connection with the appointment and departure of senior officers an additional audit fee of £8,847 was agreed with the Authority and approved by the Audit Commission. Thus the total audit fee was £272,367 compared to £439,200 for 2011/12. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

We also agreed an additional fee of £3,153 related to the appointment and departure of senior officers which was delivered outside the Code of Audit Practice.

This is in line with the fee that was presented to the Audit Committee in March 2013.

Our final fee for the 2012/13 audit of the Pension Fund was in line with the planned fee of £21,000.

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 2012/13* which we are due to issue in December 2013.



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