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Report to those charged with governance (ISA 260) 2013-14

London Borough of Brent

September 2014



The contacts at KPMG in connection with this report are:

Phil Johnstone

Director

KPMG LLP (UK)

Tel: + [44] 207 311 2091

Philip.Johnstone@kpmg.co.uk

Steve Lucas

Senior Manager

KPMG LLP (UK)

Tel: +[44] 207 311 2184

stephen.lucas@kpmg.co.uk

Gary McLeod

Manager

KPMG LLP (UK)

Tel: + [44] 207 311 2061

gary.mcleod@kpmg.co.uk

Jonathan Ware

Assistant Manager

KPMG LLP (UK)

Tel: + [44] 207 311 2283

jonathan.ware@kpmg.co.uk

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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 0303 4448 330.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for both the Authority and its Pension Fund; and
- our assessment of the Authority's arrangements to secure value for money in its use of resources.

Scope of this report

This report summarises the key findings arising from:

- our audit work at London Borough of Brent ('the Authority') in relation to the Authority's 2013-14 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2013-14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013-14*, presented to you in March 2014, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and July to September 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013-14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013-14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013-14 financial statements of the Authority and the Fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority and the Pension Fund. Sections three and four of this report provide further details on each area.

Proposed audit opinion	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We also expect to report that the wording of your Annual Governance Statement accords with our understanding.</p> <p>We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2014.</p>
Audit adjustments	<p>We identified one material adjustment of £28.7 million to the primary financial statements which related to the valuation of additions to Council dwellings .</p> <p>We also identified five other non trivial audit adjustments that the Authority adjusted for and a small number of trivial presentational adjustments mainly to the notes to the accounts. There is no impact on the General Fund balance.</p> <p>We have included a full list of significant audit adjustments at Appendix 2.</p>
Key financial statements audit risks	<p>We have worked with officers throughout the year to discuss the significant audit risk area identified arising from the Local Government Pension Scheme for Brent (the Pension Fund) undergoing a triennial valuation. The Authority addressed the issues appropriately.</p> <p>We also considered the standard audit risk of management override of controls and our audit testing of journal entries, accounting estimates and significant transactions outside the normal course of business or that are otherwise unusual, did not identify any issues.</p>
Accounts production and audit process	<p>The Authority changed the format of the financial statements this year to help make them easier for interested parties to read. We welcome this approach by officers which shows considerable thought and in our view has succeeded in its aim to make the accounts more easily readable. We also found that the financial statements were prepared to a good standard, working papers were ready for the start of the audit and officers dealt efficiently with audit queries.</p>
Control environment	<p>The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.</p> <p>We have made two recommendations in relation to strengthening the Authority's control environment both relating to Plant, Property and Equipment..</p>

This table summarises the headline messages. The remainder of this report provides further details on each area.

Completion	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Minor queries on debtors and creditors; and ■ Final overall review and closure procedures by the Director. <p>Before we can issue our opinion we require a signed management representation letter, which covers the financial statements of both the Authority and the Pension Fund.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's and the Pension Fund's financial statements.</p>
VFM conclusion and risk areas	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.</p>
Audit Certificate	<p>We are in the process of completing the work on the Whole of Government Accounts which we anticipate completing by 30 September 2014. We have not received any objections to the accounts from local electors and anticipate issuing our audit certificate by 30 September 2014.</p>

The Authority made one material adjustment to the draft financial statements that was identified during the audit. We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements

We have identified no issues in the course of the audit of the Pension Fund that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 29 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We identified one material misstatements to the primary financial statements relating to the valuation of additions to Council dwellings which resulted in reductions in the value of Council dwellings of £30 million.

There were five other key audit differences that the Authority adjusted for relating to:

- Accounting for the Collection Fund surplus;
- Accounting for Council Tax income;
- Classification of investments;
- Reversal of incorrectly impairing Plant and Equipment in the Civic Centre; and
- Classification of Property, Plant and Equipment.

There was no impact on the General Fund surplus and full details are included in Appendix 2

In addition, we identified a small number of presentational adjustments required to ensure that the financial statements are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013-14 ('the Code')*. We understand that the Authority will be addressing these where it considers it appropriate.

Pension fund audit

Our audit of the Pension Fund financial statements did not identify any material misstatements.

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit Committee on 29 September 2014.

There were no significant audit differences although we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code*. We understand that the Pension Fund will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Pension Fund Annual Report

We have reviewed the Pension Fund Annual Report and confirmed that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified audit opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

We have worked with officers throughout the year to discuss significant risk areas.


The Authority addressed the issues appropriately.

In our External Audit Plan 2013-14, presented to you in March 2014, we identified the significant risks affecting the Authority's and the Pension Fund's 2013-14 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority. We have indicated in each case whether these relate to the audit of the Authority's financial statements or those of the Fund.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Significant audit risk	Issue	Findings
	<p>During the year, the Local Government Pension Scheme for Brent (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013-14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014-15 and 2015-16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the financial statements.</p>	<p>We reviewed the controls the Authority has in place to review the data received from the actuary and found them to be satisfactory.</p> <p>We reviewed the controls in place to provide data to the actuary and agreed key figures back to the systems and reports from which it was derived.</p> <p>We have not identified any issues to report.</p>

The Authority has good processes in place for the production of the financial statements.

The financial statements were ready for audit a week in advance of the deadline.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting processes in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	The Authority changed the layout of the financial statements this year to help make them easier for interested parties to read. We received the draft accounts on 23 June 2014, a week earlier than last year.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued in March 2014 and discussed with officers, set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i> .
Response to audit queries	Officers dealt efficiently with audit queries.
Pension fund audit	The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by PWC on the financial statements of Brent Housing Partnership Limited. There are no specific matters to report pertaining to the group audit.

Prior year recommendations

There were no audit recommendations made in our *ISA 260 Report 2012-13*.

Your organisational control environment is effective overall.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Key findings

We found that your organisational control environment is effective overall.

Other matters

There are two other matters that we wish to bring to your attention with regards to Plant, Property and Equipment.

Council dwellings

The Authority has assumed that the amount spent on capital works for Council dwellings increases the market value by a similar amount (after taking account of the Social Housing Discount). Our experience is this is not always the case. We recommend the Authority's surveyor reviews the amount spent and calculates the increase in market value of Council dwellings as a result of this as part of the closedown process for 2014-15. The total amount of capital additions to Council dwellings that should be subject to this review is approximately £10 million. It would require a detailed valuation to quantify the exact amount of any change in value, but we are satisfied that Council dwellings included within Property, Plant and Equipment are not materially mis-stated for 2013-14 as a result of this review not being completed.

Civic centre

The Civic Centre was valued by a professional valuer and in line with proper accounting treatment the different components of the building were valued eg roof, structure, lifts as the estimated useful lives of these components differ. The Authority however did not split the Civic Centre into components in the fixed asset register but recorded it as one asset which was to be depreciated over 42 years. While there is only a trivial £8,000 difference on depreciation this year, the individual components need to be clearly recorded on the fixed asset register to ensure any future revaluations or impairments and additions to the property can be clearly allocated in line with proper accounting standards.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's and the Pension Fund's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of London Borough of Brent and Brent Pension Fund for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and Brent Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Authority for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013 -14 financial statements.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	<p>Revaluation of Council dwellings additions</p> <p>The Authority has assumed the amount spent on capital works on Council dwellings increases the market value by a similar amount (after taking account of the Social Housing Discount). Our experience is that the market value of a dwelling increases less than the amount spent on capital works.</p> <p>Recommendation</p> <p>We recommend the Authority's surveyor reviews the amount spent and calculates the increase in market value of Council dwellings as a result of this as part of the closedown process for 2014-15.</p>	<p>An assessment of capital works in 2014-15 will be undertaken. This will provide the basis of the change in market value used for the valuation in the statement of accounts.</p> <p>March 2015</p> <p>Operational Director - Finance</p>

Appendix 1: Key issues and recommendations (continued)

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	3	<p>Fixed Asset Register</p> <p>The Authority used a professional valuer to value the new Civic Centre. Valuations were allocated to the various components of the buildings, all of which had different estimated useful lives. However, the Civic Centre was included in the fixed asset register as one item and is being depreciated over 42 years.</p> <p>Recommendation</p> <p>The components of the Civic Centre should be separately included in the fixed asset register and depreciated over their respective estimated useful lives.</p>	<p>The components of the civic centre will be separately included in the Council's asset register in line with its accounting policies.</p> <p>March 2015</p> <p>Operational Director – Finance</p>

This appendix sets out the significant audit difference.

It is our understanding that these will be adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We have not identified any uncorrected audit differences. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences – Authority and Pension Fund

The table below highlights key corrected audit differences to the Authority’s primary financial statements. There are no corrected audit differences to the Pension Fund accounts.

77	Impact					Basis of audit difference	
	No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities		Reserves
1	Dr HRA income – upward revaluation of assets £28.8 million	Cr HRA - movement on the HRA statement £28.8 million	Cr PPE - Council dwellings £28.8 million			Dr Capital Adjustment Account £28.8 million	The reduction in value of Council dwellings as a result of the Social Housing Discount factor being applied to additions to Council dwelling.
2	Cr Council Tax Income £3.0 million Dr Cost of services income £4.4 million	Cr GF – movement on the General Fund statement £1.4 million		Cr Creditors - £1.4 million		Dr Earmarked reserves – Collection Fund £6.2 million Cr Collection Fund Adjustment Account - £4.8 million	Incorrect treatment of the Collection Fund surplus and for Council Tax income to be accounted for in the Comprehensive Income and Expenditure Account on an accruals basis.

Appendix 2: Audit difference

This appendix sets out the significant audit difference.

It is our understanding that this will be adjusted.

Corrected audit differences – Authority and Pension Fund

The table below highlights key corrected audit differences to the Authority's primary financial statements. There are no corrected audit differences to the Pension Fund accounts. There were also a number of minor adjustments and presentational issues to address on both the Authority and Pension Fund financial statements..

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
3			Dr Long term investments £5 million Cr Short term investments £5 million			Long term investment classified as a short term investment
4	Cr Cost of services expenditure – central services £3.1 million	Dr Movement on the General Fund statement £3.1 million	Dr Property, Plant and equipment £3.1 million		Cr Capital Adjustment Account £3.1 million	Plant and Equipment incorrectly impaired relating to the Civic Centre
5			Dr PPE – Assets under construction £16 million Cr Other Land and Buildings £16 million			Plant, Property and Equipment incorrectly disclosed
	Dr £27.1 million	Cr £27.1 million	Cr £25.7 million	Cr £1.4 million	Dr £27.1 million	Total impact of corrected audit differences

In the Collection Fund the Non Domestic Rates: payments to preceptors was adjusted by £5.1 million. This had a negligible impact of £77,000 on the Comprehensive Income and Expenditure Account as the Authority's share of the deficit had been mainly accounted for.

In the Group accounts, in addition to the adjustments referred to above, there was an increase of £1.6 million to net cost of services and a £1.6 million reduction to usable reserves. This was due to an adjustment being made to Brent Housing Partnership Limited accounts.

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of London Borough of Brent and Brent Pension Fund for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and Brent Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.



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