



*cutting through complexity™*

# Annual Audit Letter 2014/15

London Borough of Brent

October 2015

**The contacts at KPMG  
in connection with this  
report are:**

**Philip Johnstone**

*Director*

*KPMG LLP (UK)*

Tel: 020 7311 2091

[philip.johnstone@kpmg.co.uk](mailto:philip.johnstone@kpmg.co.uk)

**Steve Lucas**

*Senior Manager*

*KPMG LLP (UK)*

Tel: 020 7311 2184

[stephen.lucas@kpmg.co.uk](mailto:stephen.lucas@kpmg.co.uk)

**Paul Henson**

*Assistant Manager*

*KPMG LLP (UK)*

Tel: 07990 569252

[paul.henson@kpmg.co.uk](mailto:paul.henson@kpmg.co.uk)

## Report sections

- Headlines

## Appendices

1. Summary of reports issued
2. Audit fees

## Page

2

3

4

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.co.uk](http://www.psa.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 Philip Johnstone, 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](mailto: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](mailto: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 the London Borough of Brent (the Authority).

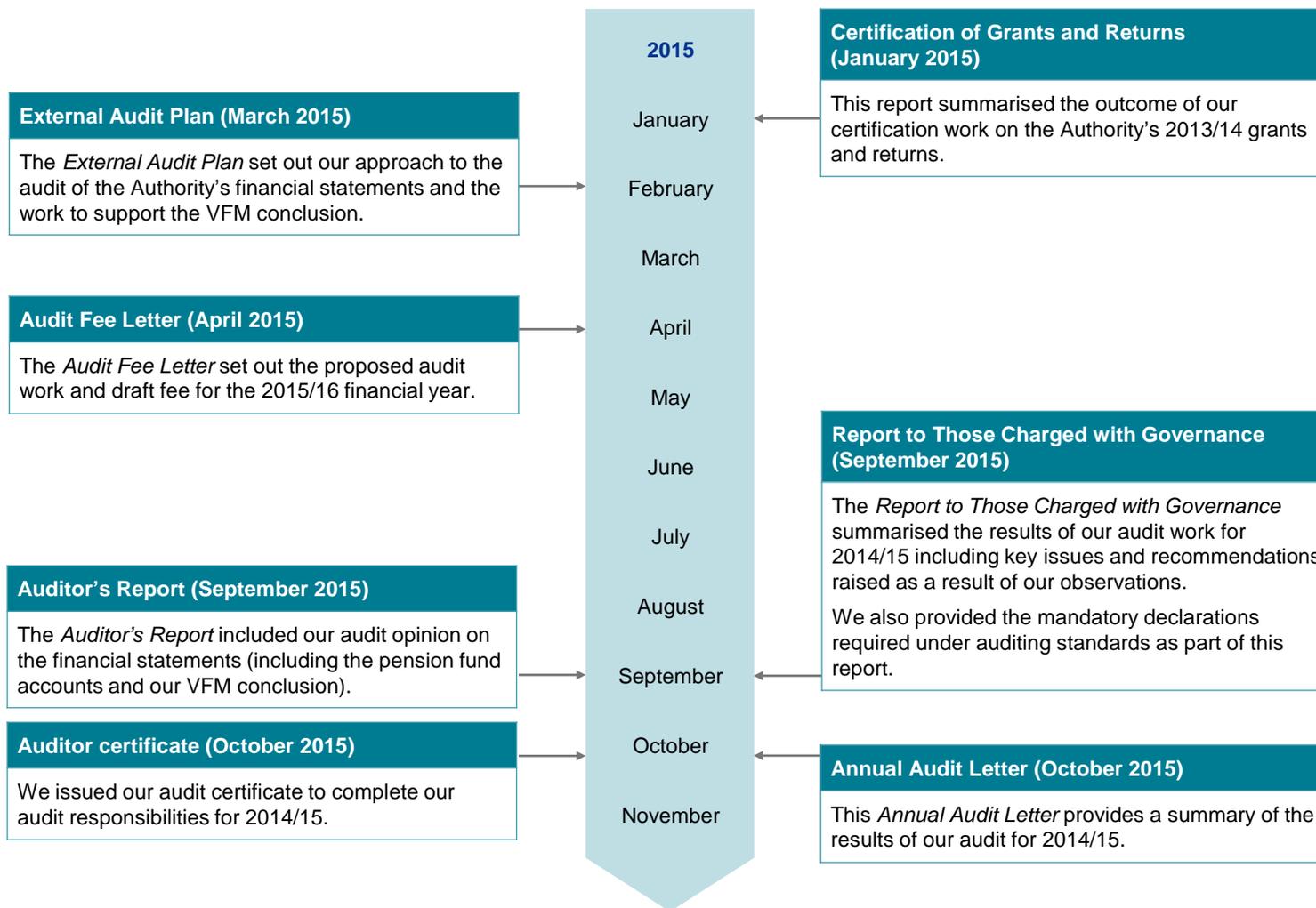
Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 30 September 2015. 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 the arrangements for prioritising resources and improving efficiency and productivity. This included the processes followed to set and approve the budget for 2015/16 and the successful delivery of the 2014/15 budget.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 30 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of its expenditure and income for the year then ended. The financial statements also include those of the pension fund.</p>
Financial statements audit	<p>The audit identified four significant audit adjustments. The impact of the adjustments was to increase the net worth of the Authority as at 31 March 2015 by £4.1 million and related to:</p> <ul style="list-style-type: none"> <li>▪ Adjustment made to estimates for the year end school bank position of £4.6 million;</li> <li>▪ Reallocation of reversals of valuation losses of £74.3 million on Council dwellings between HRA expenditure and income;</li> <li>▪ Decrease in valuation of other Land and Buildings within Property, Plant and Equipment by £1.2 million due to an incorrect revaluation calculation; and</li> <li>▪ Adjustment to deferred income of £5.6 million as a result of the PFI contract variation.</li> </ul>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of the Authority.</p>
Pension fund audit	<p>There was one potential audit difference of £1.3 million relating the Pension Fund that the Authority did not adjust as it was not material and the Authority wanted to investigate it further. We issued an unqualified opinion on the pension fund financial statements as part of our audit report. In addition we issued our opinion on the Pension Fund Annual Report stating it was consistent with the financial statements.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared 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.</p>
Audit fee	<p>Our fee for 2014/15 for the Authority's accounts was £270,164 and for the Pension Fund £21,000, both excluding VAT. This compared to the planned fee of £266,120 as we were required to complete additional work relating to questions asked by local electors.</p>
Certificate	<p>We issued our audit certificate on 13 October 2015 following the completion of our work on questions asked by local electors. 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 Audit Commission's <i>Code of Audit Practice</i>.</p>

## 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 of the Authority was £270,164\* (2013/14: £266,120). This compares to a planned fee reported to the Audit Committee in March 2015 of £266,120. The variance of £4,044 related to additional audit work required to respond to local elector questions.

Our final fee for the 2014/15 audit of the Pension Fund was in line with the planned fee of £21,000 (2013/14 £21,000).

\* The final fee is subject to agreement with Public Sector Audit Appointments and the Authority.

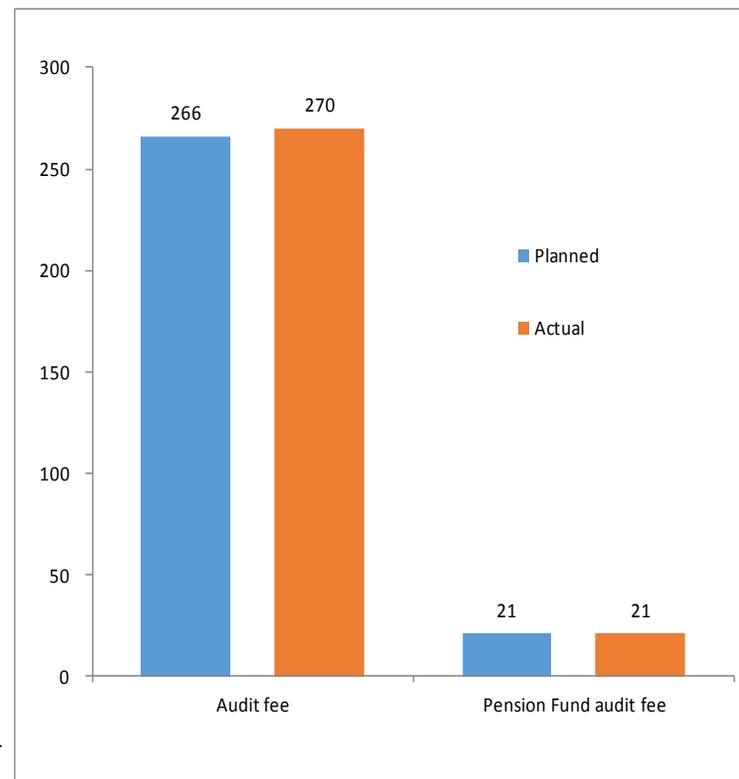
### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments 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 December 2015.

### Other services

During the financial year ending 31 March 2015 we charged non audit fees of £34,500 relating to the certification of a Government Return, VAT and tax services.

External audit fees 2014/15 (£'000)





*cutting through complexity™*

© 2015 KPMG LLP, a UK public limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).