



Annual Audit Letter 2016/17

London Borough of Brent

—

October 2017



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in connection with this
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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. Public Sector Audit Appointments 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.psaa.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 Andy Sayers, 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, Andrew Sayers (andrew.sayers@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.

Headlines

This Annual Audit Letter summarises the outcome from our audit work at the London Borough of Brent in relation to the 2016/17 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

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.

We focused our work on the Authority's financial resilience. The Authority's outturn for 2016/17 showed that it achieved budget overall with overspends in Community Wellbeing (£3.2m), Children and Young People (£2.3m) and Resources (£2.1m) being matched with underspends in Regeneration and Environment (£4m) and Central items (£3.6m). The Authority also increased its earmarked revenue reserves by £1.3m to £143.7m.

The Authority takes a long term approach to financial planning ensuring that savings required are identified in advance. The Medium Term Financial Plan covering 2017/18 to 2019/20 was updated and reported to Cabinet three times during the 2016/17 year, the final one recommended the 2017/18 budget to the full Council. The budget included £14.7m of cost pressures, mainly through increased demand or inflation with in year savings of £19.8m required, all of which had been identified.

The Medium Term Financial Plan presented as part of 2017/18 budget approval process had already identified sufficient savings to deliver a balanced budget for 2018/19 based upon current assumptions and identified a potential budget gap of £12m for 2019/20. By planning in advance, this gives the Authority time to clearly assess options for resolving the gap and ensuring the plans to deliver it are robust and deliverable.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. 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.

Financial statements audit

We received draft financial statements on 19 June 2017, nearly two weeks in advance of the statutory deadline. The statutory deadline for publishing the draft financial statements is being brought forwards in 2017/18 to 31 May 2018, with an audit deadline of 31 July 2018 and the Authority will need to build upon the work completed this year to ensure the deadline is met. We are aware that officers have already started planning for the year end closedown, identifying how processes can be brought forwards, while maintaining quality.

There were two non material audit adjustments and the Authority updated its valuation of Council dwellings and PFI dwellings as more accurate information on house price movements in the borough became available after the financial statements had been prepared.

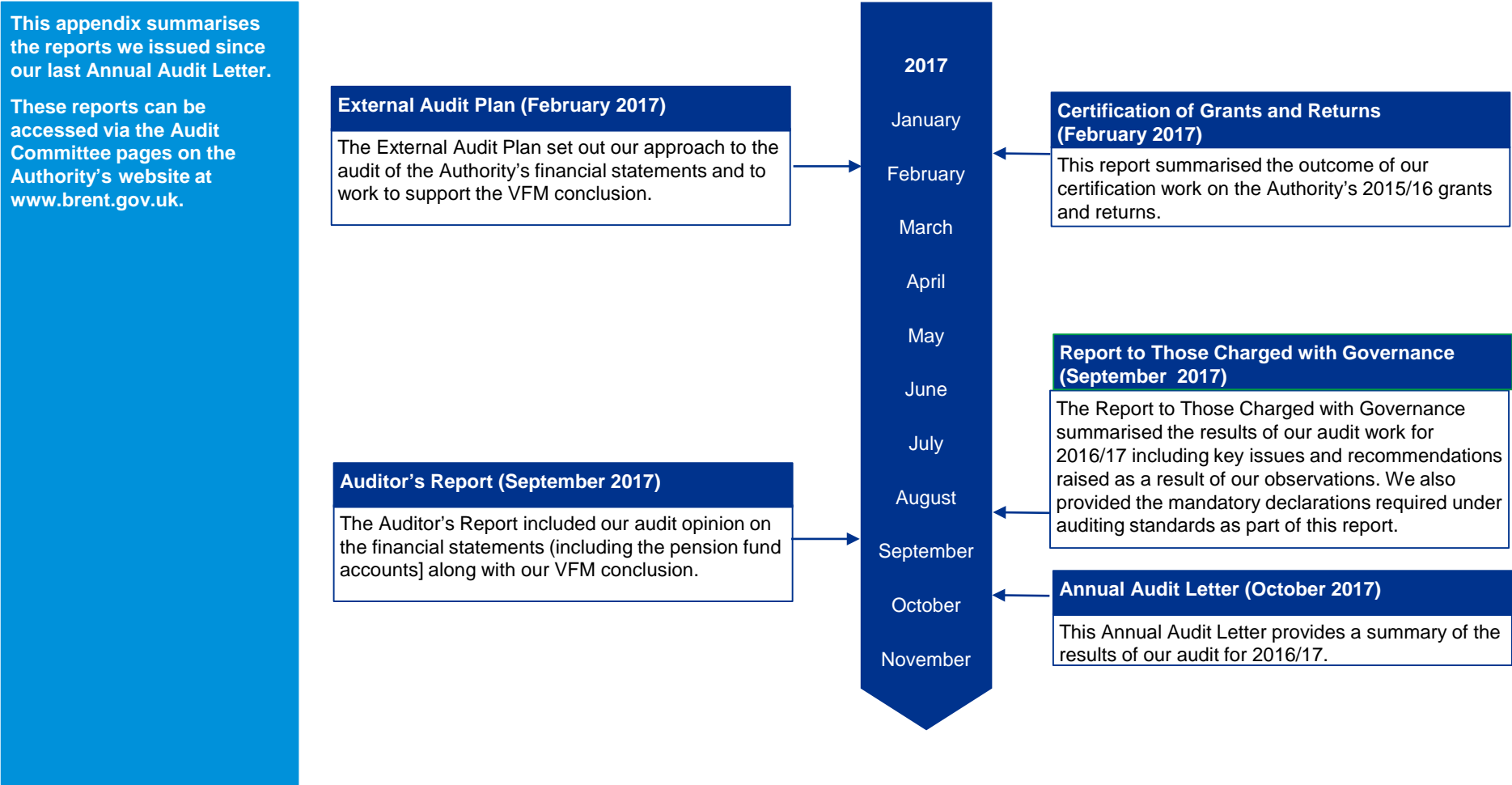
Section one

Headlines (cont)

We have not yet issued our audit certificate to confirm the completion of our audit responsibilities for the 2016/17 audit year due to an objections from local electors relating to 2015/16.

Other information accompanying the financial statements	Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.
Pension fund audit	There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report. We also issued an unqualified audit opinion on your Pension Fund Annual Report on 29 September 2017.
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. We reported on 29 September 2017, in line with the timetable, that the Authority's pack was consistent with the audited financial statements.
High priority recommendations	We did not raise any high priority recommendations as a result of our 2016/17 audit work. We did make one recommendation to strengthen the controls around ensuring that accurate pension data is available to supply to actuaries and individual members when required. We are pleased to note the two recommendations we made in 2015/16 have been implemented.
Certificate	We have six objections to the Authority's 2015/16 financial statements which we are currently reviewing. This means that we are not yet able to issue our audit certificate.
Audit fee	Our audit fee for 2016/17 was £199,590 (2015/16: £199,590) excluding VAT which was in line with the planned fee. Our fee for the Pension Fund was £21,000 (2015/16: £21,000) excluding VAT and was also in line with the planned fee. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit of the Authority was £199,590 and of the Pension Fund was £21,000, both of which are in line with the planned fee.

In respect of the 2015/16 external audit fee, we received six objections. Work undertaken on these is outside of the planned audit fee and additional fees relating to the work undertaken on the objections will be agreed with both the Chief Finance Officer and PSAA. These additional fees have not been included in the attached chart as the work is still in progress and haven't been agreed yet.

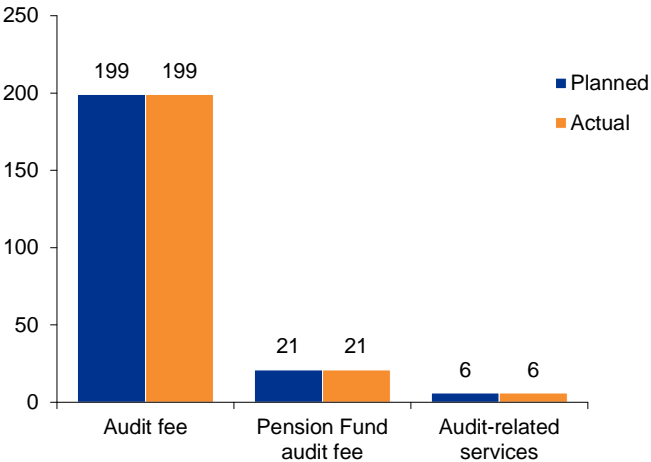
Certification of grants and returns

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 2017.

Other services

We charged £6,500 for additional audit-related services for the certification of the Teachers' Pension Return and Pooling of Housing Capital Receipts Return which are outside of the Public Sector Audit Appointment's certification regime.

External audit fees 2016/17 (£'000)





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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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