



# Annual Audit Letter 2015/16

London Borough of Ealing

—

October 2016

# Contents

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**Page**

## Report sections

Headlines 3

## Appendices

1. Summary of reports issues 5
2. Audit fees 6

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](http://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.

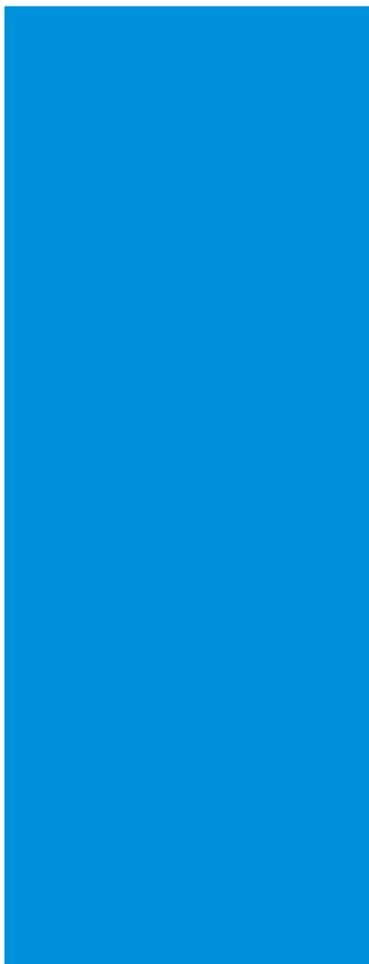
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Thomas, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your 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](mailto: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](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 Annual Audit Letter summarises the outcome from our audit work at the London Borough of Ealing in relation to their 2015/16 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.**

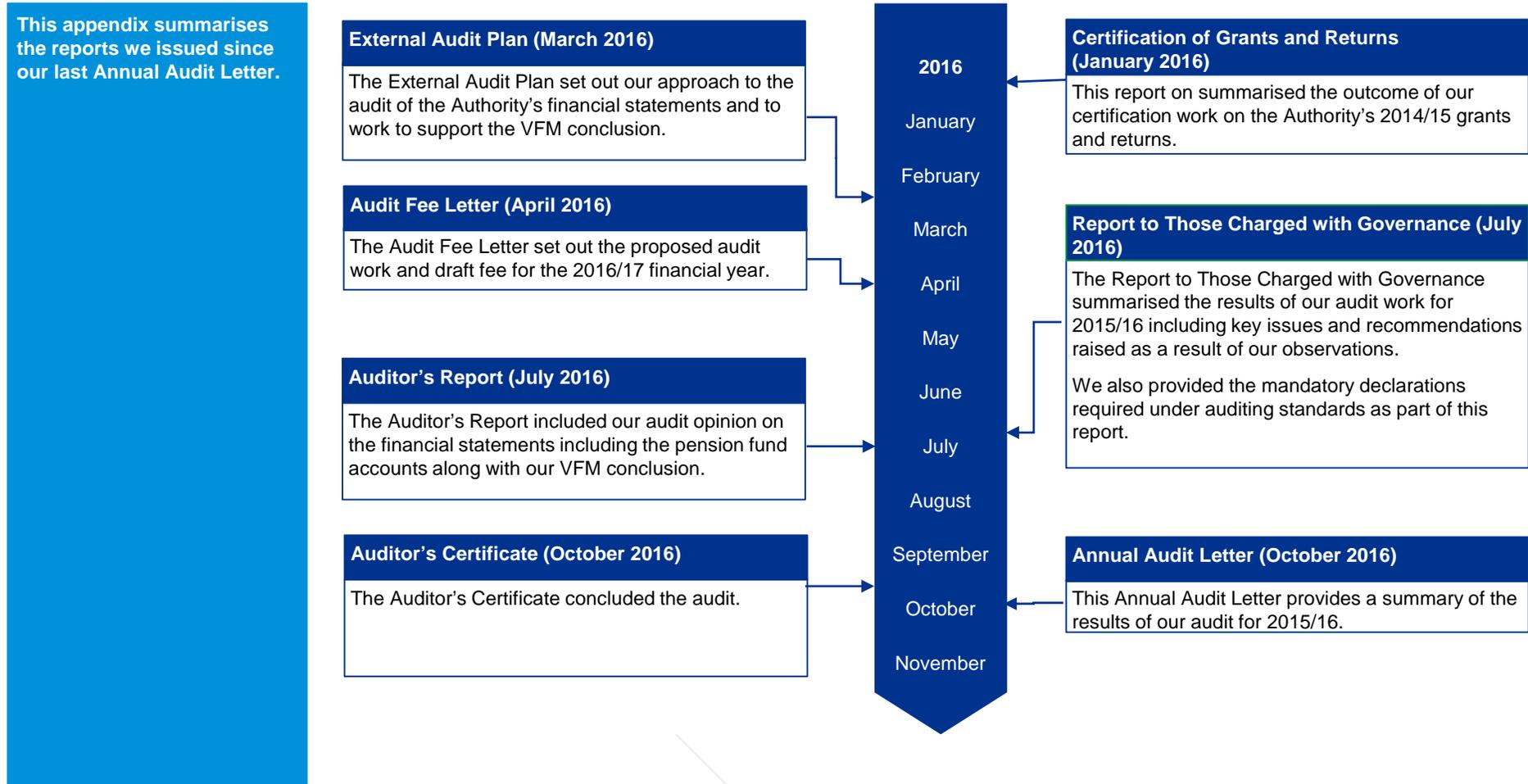
|                                    |   |
|------------------------------------|---|
| <b>VFM conclusion</b>              | <p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 29 July 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p>   |
| <b>VFM risk areas</b>              | <p>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.</p> <p>We focused our work on the Authority's financial resilience and found that the historical strong financial planning and management arrangements have continued to operate during the year. The budget, which required £43 million of savings, was closely monitored throughout the year and delivered. Actions were taken during the year to address cost pressures such as adult social care placements and at the year end the General Fund reserve remained at £15 million with an increase of £6 million in earmarked reserves to £93 million excluding schools reserves.</p> <p>Financial planning continues to be at an advanced stage and when the budget for 2016/17 was agreed in February 2016, £20 million of the estimated £25 million of savings required for 2017/18 had already been identified and approved by Members.</p> <p>Our overall view is that the Authority continues to respond to the financial challenges they face, plan thoroughly in advance and deliver to the budget.</p> |
| <b>Audit opinion</b>               | <p>We issued an unqualified opinion on the Authority's financial statements on 29 July 2016. 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>  |
| <b>Financial statements audit</b>  | <p>The Authority delivered to their accelerated closedown timetable. The draft financial statements were prepared and published on 1 June 2016, four weeks before the statutory deadline and eight days earlier than the previous year. We were able to issue our unqualified audit opinion on 29 July 2016. This was approximately six weeks earlier than the previous year</p> <p>The draft financial statements remained of a high quality and there was only one non material audit unadjusted difference of £801,000 which related to the classification of creditors due within one and more than one year.</p>   |
| <b>Annual Governance Statement</b> | <p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>  |

# Headlines (cont)



|                                     |  |
|-------------------------------------|--|
| <b>Pension fund audit</b>           | 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 opinion on your Pension Fund Annual Report.   |
| <b>Whole of Government Accounts</b> | 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.  |
| <b>Recommendations</b>              | We did not raise any high priority recommendations as a result of our 2015/16 audit work. We did make two good practice recommendations which were to strengthen positive reporting that key controls have operated and on communications relating to changes to journal procedures. The Authority has responded positively to these.  |
| <b>Certificate</b>                  | We issued our certificate on 19 October 2016 . The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.  |
| <b>Audit fee</b>                    | Our audit fee for 2015/16 was £168,475 (2014/15: £223,094) excluding VAT. This compared to the planned fee of £166,583 as we needed to complete additional work following some controls not operating as expected during the year. Further details are contained in Appendix 2.<br><br>Our fee for the Pension Fund was £21,000 (2014/15: £21,000) excluding VAT. This was in line with the planned fee. |

# Appendix 1: Summary of reports issued



# Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

### External audit

Our final fee for the 2015/16 audit of the Authority was £168,475. This compares to a planned fee of £166,590. The reason for this variance is that we needed to carry out additional control testing to address controls around the bank account reconciliations and changes to journals not being consistently applied during part of the year.

Our final fee for the 2015/16 audit of the Pension Fund was in line with the planned fee of £21,000.

The additional fee is still subject to final determination by Public Sector Audit Appointments Limited.

### Certification of grants and returns

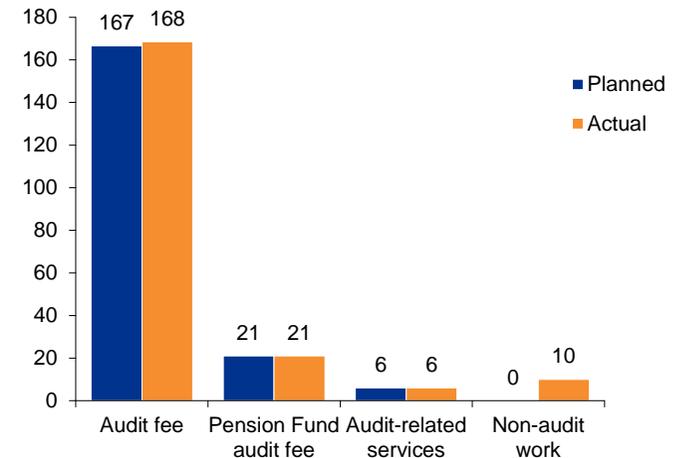
Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in December 2016.

### Other services

We charged £6,000 (2014/15 £6,000) for additional audit-related services for the certification of the for the Teachers' Pension Return and Pooling of Housing Capital Receipts Return which are outside of Public Sector Audit Appointment's certification regime.

We have not provided any non audit-related services to the Authority this year. We have though provided services to Broadway Living Limited for tax services with a value of £10,063 plus VAT. This work was not related to our responsibilities under the Code of Audit Practice.

External audit fees 2015/16 (£'000)





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