



Annual Audit Letter 2015/16

London Borough of Bromley

—

October 2016



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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 Phil 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, 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 Bromley in relation to the 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.

<p>VFM conclusion</p>	<p>We issued a qualified 'except for' conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 22 September 2016.</p> <p>During 2015/16 the Council received a report from Ofsted rating children's services as 'inadequate' and a report from HM Inspectorate of Probation rating Youth Offending Teams as 'poor' overall. The Ofsted report made reference to the fact that strategic leaders did not have a comprehensive understanding of services being provided, and noted that there had been a significant deterioration in services since 2010, with children being left in negative home situations for too long because of a poor understanding of the risk identification and reduction process. The HMIP report noted that reoffending and custody rates had risen. This was partly driven by a lack of partnership working in place which was worsening the outcomes for children, particularly Looked After Children, and the separation of strategic and operational management was not working effectively. With the exception of these matters we are satisfied that in all significant respects the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.</p>
<p>VFM risk areas</p>	<p>We undertook a risk assessment as part of our planning work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. Our work identified the following significant matters:</p> <ul style="list-style-type: none"> — Financial resilience - The Council plans to deliver £26m of savings over the four years covered by the Medium Term Financial Strategy, which will prove challenging in the context of increasing cost pressures and reducing budgets. — Better Care Fund - The Council and Bromley CCG have established a Joint Integrated Commissioning Executive (JICE) to oversee and deliver the schemes set out in the BCF. The total shared BCF managed by the JICE is £20.8m and as the arrangements are new, crossing the health and social care boundary with organisations who have different legal structures, there is a risk that the governance and accounting arrangements may not be well developed to manage this partnership arrangement appropriately.
<p>Audit opinion</p>	<p>We issued an unqualified opinion on the Authority's financial statements on 22 September 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>
<p>Financial statements audit</p>	<p>There were no significant audit adjustments identified as part of our work. We received complete draft accounts in June 2016 in accordance with the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the code.</p> <p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>

Section one

Headlines (cont)

We have not yet issued our audit certificate for the 2015/16 year as there are objections from previous years outstanding with the previous auditor.

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 required only minor updates.
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.
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 that the Authority's pack was consistent with the audited financial statements.
High priority recommendations	We raised one high priority recommendation as a result of our 2015/16 audit work. This is detailed in Appendix 1 together with the action plan agreed by management. This recommendation related to the requirement for the Authority to use a separate pension fund bank account in order to maintain compliance with legislation. This recommendation was not accepted by the Authority, although it is noted that this will be continually reviewed.
Certificate	We have not yet issued the certificate which 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. This is because there is an objection outstanding from a prior year with the previous auditor which is currently being considered. This means that we are not yet able to issue our certificate.
Audit fee	Our fee for 2015/16 was £119,076, excluding VAT. This is in line with the fee highlighted within our audit plan agreed by the Audit Sub-Committee in April 2016 and the scale fee set by PSAA Ltd. Further detail is contained in Appendix 3.

Appendix 1: Key issues and recommendations

We have raised one high priority recommendation as part of our work, detailed here.

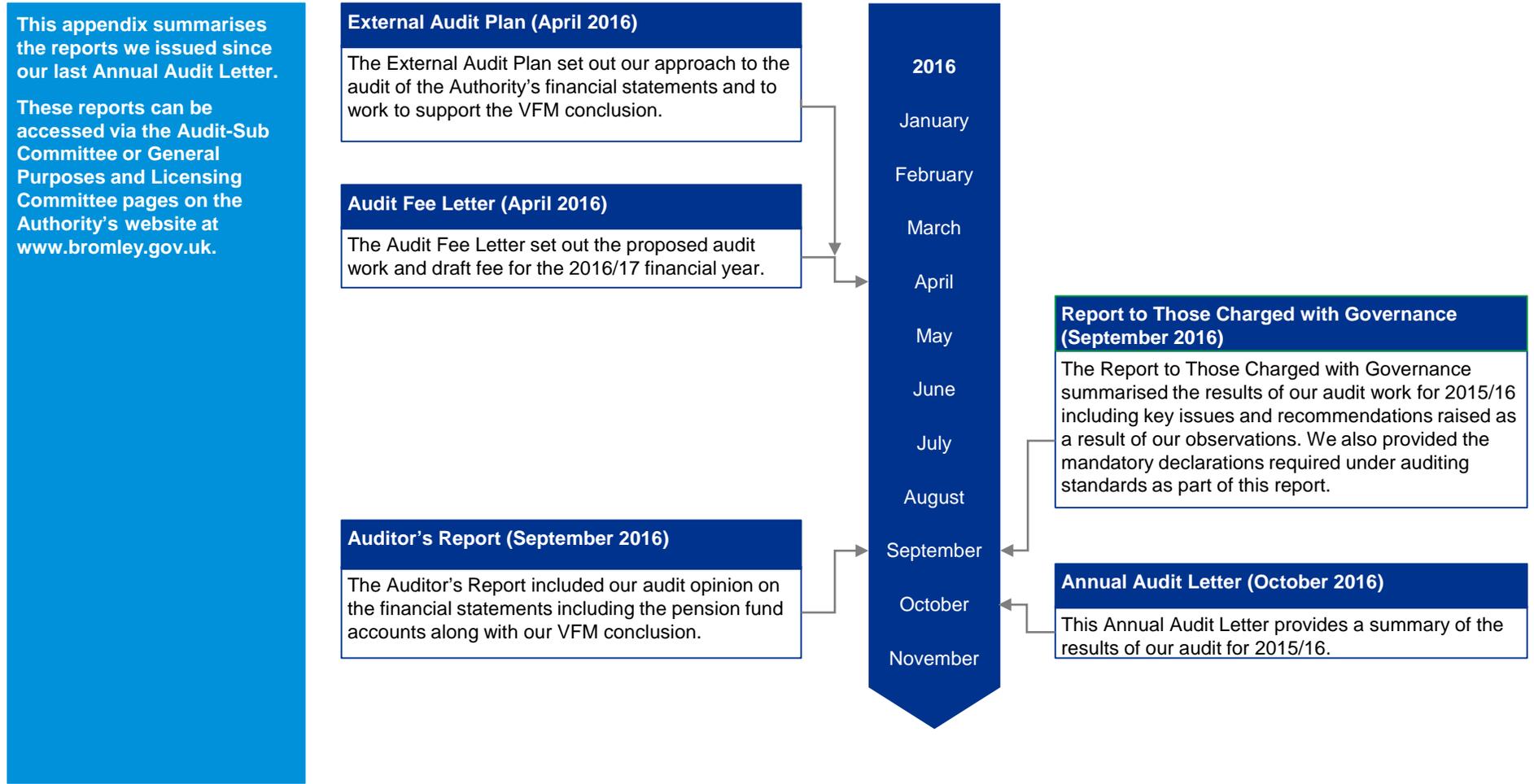
No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Pension Fund Bank Account</p> <p>The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require that all pension schemes have their own back account.</p> <p>Although a separate bank account has been set up for the Fund, it is not being used. As a result, the Fund is not fully compliant with the requirements of the legislation. This is a point consistent with the prior year.</p> <p>Recommendation</p> <p>We recommend that the pension fund bank account is put into use in order that the pension fund is fully compliant with all regulations.</p>	<p>A cost benefit analysis was carried out during 2013/14 and has been reviewed. Details were provided to Members of Audit Sub-Committee in January 2015. It remains the view of management that there is little to be gained from using a separate Pension Fund bank account. Whilst the External Auditors are required to raise this matter as a non-compliance issue, management are satisfied that there is a robust coding structure in place which sufficiently separates out the pensions transactions in an effective manner.</p> <p>Responsible Officer: Principal Accountant</p>

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the majority of the issues highlighted through the previous year ISA260 report issued by PWC. There were two recommendations raised by PWC which had not been implemented:

- Use of the pension fund bank account: This was not agreed by the authority in the previous year, and has been re-raised as a high priority recommendation as part of our work in 2015/16 (re-iterated above).
- Gross internal area and use of Uniform to track the gross internal area of buildings: This was not agreed by the authority in the previous year.

Appendix 2: Summary of reports issued



Appendix 3: 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 £119,076 plus VAT, which is in line with the planned fee..

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

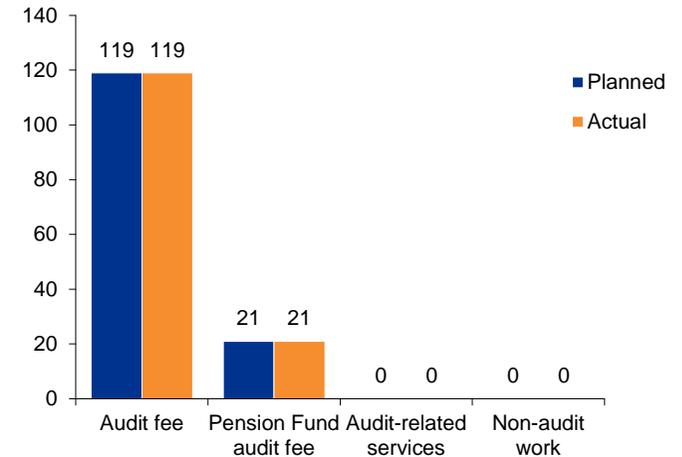
Certification of grants and returns

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 January 2017.

Other services

We did not charge any additional fees for other services.

External audit fees 2015/16 (£'000)





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