



Annual Audit Letter 2015/16

**London Borough of Barking and
Dagenham**

—

October 2016



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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 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.

Section one

Headlines

This Annual Audit Letter summarises the outcome from our audit work at London Borough of Barking and Dagenham 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.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 30 September 2016. 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.</p> <p>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.</p>
VFM risk areas	<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>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> — Financial Resilience – Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government whilst having to maintain a statutory and quality level of services to local residents. Significant overruns in 2015/16 compound this difficulty. This is relevant to the informed decision making and sustainable resource deployment sub-criteria of the VFM conclusion. This is relevant to the informed decision making and sustainable resource deployment sub-criteria of the VFM conclusion; — Budget Overruns – Barking and Dagenham was due to exceed its budget by c.£6m in 2015/16, compared to £70,000 in 2014/15. This overall position was primarily driven by Children's Services and has been offset with savings of over £1m from central expenses and general fund transfers. Budget monitoring was assessed as part of our financial statements audit. This is relevant to the informed decision making and sustainable resource deployment sub-criteria of the VFM conclusion; and — Better Care Fund – The Better Care Fund was set up by Government to encourage joint work across health and adult social care to ensure local people receive better care. Joint arrangements have been established with NHS Barking and Dagenham CCG to administer the local Better Care Fund (2015/16 expenditure £21.299m). 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. This is relevant to the working with partners and third parties sub-criteria of the VFM conclusion.
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 30 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>
Financial statements audit	<p>Summary of the significant findings arising from the financial statements audit:</p> <ul style="list-style-type: none"> — Our audit identified 1 corrected audit adjustment with a total value of £ 1.9 million to date. The adjustment had no net impact on the balance sheet or the income statement; — We noted an improvement in the quality of the accounts and the supporting working papers. However, often information provided was not clear or appropriate for audit purposes which led to delays in the audit process. This meant the audit process was not completed within the original planned timescales; and — The Authority has made some progress against the recommendations from 2014/15 relating to the financial statements, in particular bank reconciliations and some improvement in accounts preparation however we did not find evidence of more stringent review in recommended areas and a number of the recommendations have been superseded rather than implemented.

Section one

Headlines (cont)

We have issued our certificate to confirm the completion of our audit responsibilities for the 2015/16 audit year.

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.
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 no high priority recommendations as a result of our 2015/16 audit work. We issued 2 medium priority recommendations, and these are detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up these recommendations as part of our 2016/17 work.
Certificate	We issued our certificate on 18 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.
Audit fee	Our fee for 2015/16 was £165,975, excluding VAT for the external audit, our fee for the pension fund audit was £21,000. Further detail is contained in Appendix 3.

Appendix 1: Key issues and recommendations

We issued no high priority recommendations and 2 medium priority recommendations.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Issue:</p> <p>Quality of Financial Information and Preparation of Accounts</p> <p>Recommendation:</p> <p>We recommend that the year end accounts close down process should be reviewed to ensure that there is sufficient time included to enable a robust review of the draft accounts prior to audit.</p>	<p>The Council has implemented Phase one out of two in our accounts compilation with the intention of delivering a streamlined accounts in 2016/17. As we proceed towards 2016/17 closedown, we will take into consideration of the points raised and ensure a robust review is in place and work with KPMG during interim audit to confirm working papers requirements for early testing.</p> <p>Principal Accountant – Technical & Reporting</p>
2	<p>Issue:</p> <p>PPE controls – disposals and valuations</p> <p>Recommendation:</p> <p>We recommend that the Authority introduce a more stringent review over the fixed asset register including completing an asset verification exercise on all assets so that the asset register can be updated and to ensure that assets are recognisable.</p> <p>We recommend that a process is developed to ensure that sufficient action is taken in responses to the valuer’s report.</p>	<p>The Capital team will embark on a programme to liaise with all departments in the Council and ask each service to identify and verify assets on the asset register.</p> <p>Upon receiving future reports from the Valuer, we will liaise with the Valuer to ensure any points raised are followed up.</p> <p>Principal Accountant - Capital</p>

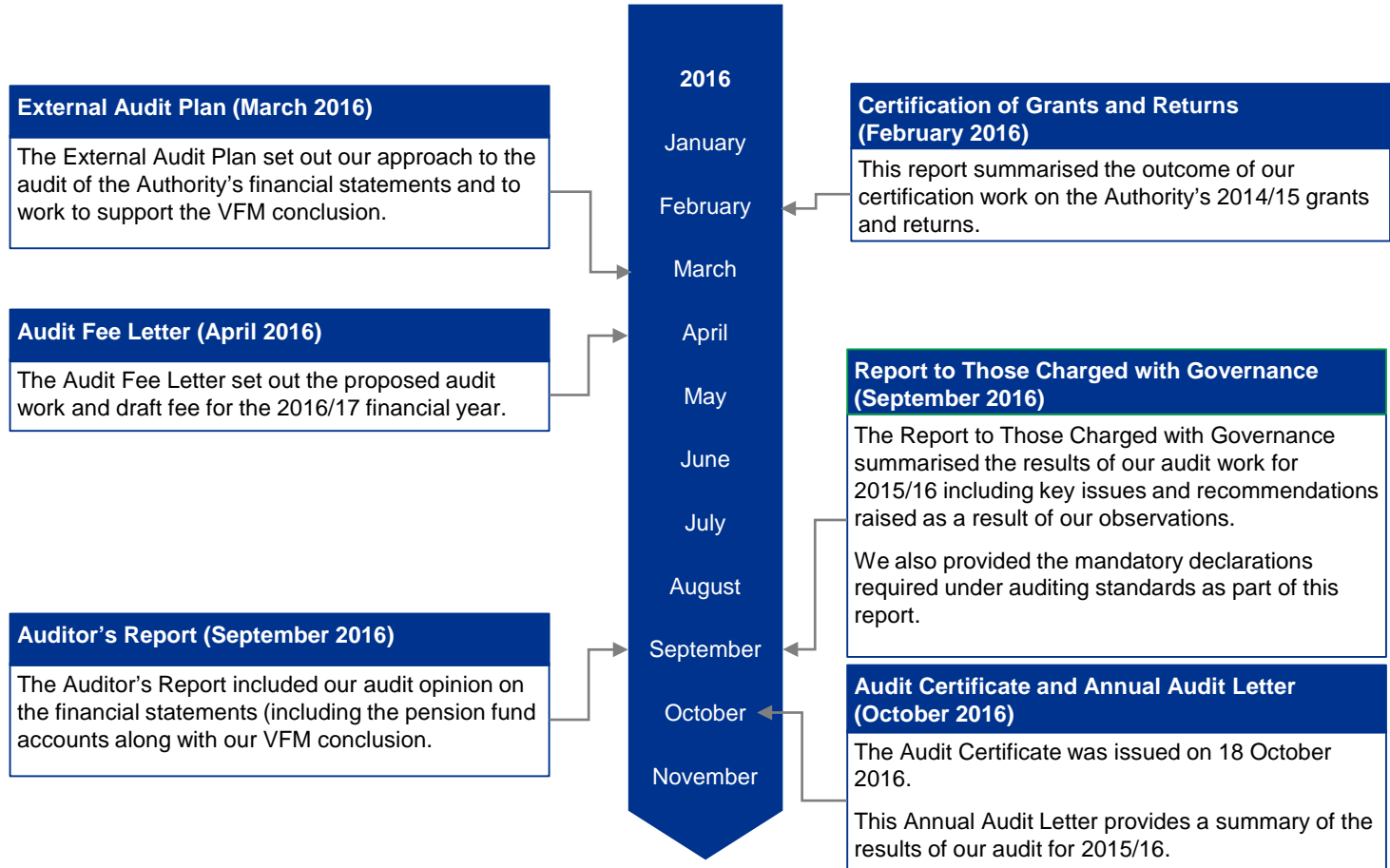
Follow up of previous recommendations

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 demonstrated progress in addressing the 1 high priority and the 4 medium priority recommendations. The recommendations were superseded by the current year recommendations.

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Public Accounts and Audit Select Committee pages on the Authority's website at www.lbbd.gov.uk.



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 London Borough of Barking and Dagenham was £165,975, 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.

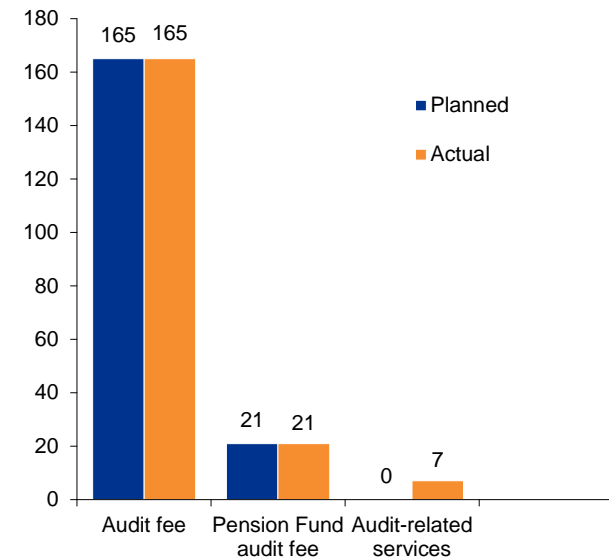
Certification of grants and returns

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 November 2016.

Other services

We charged £7,000 for additional audit-related services for the certification of the Pooling of Capital Receipts grant claim and the Teachers Pension return, which are outside of Public Sector Audit Appointment's certification regime.

External audit fees 2015/16 (£'000)





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