

SUPPLEMENTARY 1

AUDIT AND STANDARDS COMMITTEE

Wednesday, 25 July 2018

Agenda Item 7. External Audit Report 2017/18 (Pages 1 - 33)

Contact Officer: Alan Dawson
Telephone: 020 8227 2348
E-mail: alan.dawson@lbbd.gov.uk

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External Audit Report 2017/18

London Borough of Barking and Dagenham

July 2018

Content

Contacts in connection with this report are:

Neil Thomas

Partner, KPMG LLP

Tel: 020 7311 1379

neil.thomas@kpmg.co.uk

Richard Hewes

Director, KPMG LLP

Tel: 020 7694 2519

richard.hewes@kpmg.co.uk

Charles Medley

Senior Manager, KPMG LLP

Tel: 07468 740 949

charles.medley@kpmg.co.uk

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This report is addressed to London Borough of Barking and Dagenham (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. PSAA 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 PSAA'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 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 (0207 694 8981, 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 3H.

Important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to London Borough of Barking and Dagenham (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority'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.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Authority's Audit and Standards Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit and Standards Committee meeting. The following work is ongoing:

- Finalisation of testing of the defined benefit pension liabilities testing;
- Finalisation of manual journals testing;
- Finalisation of cash-flows to the pension fund testing;
- Review of final accounts adjustments;
- Final accounts checks and receipt of management representations; and
- Clearance of Partner and Director review points.

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements for the deadline of 31 July 2018, following the Audit and Standards Committee adopting them and receipt of the management representations letter. We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements for the deadline of 31 July 2018.

We have completed our audit of the financial statements, subject to those areas outlined on page three of this report. We have read the Narrative Report and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section two and appendix two.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- In addition to our routine requests we are asking for management representations over the value of the Authority's other land and buildings and Council Dwellings included with the PPE disclosure. We are asking for confirmation that the Authority is satisfied that the valuation included within the financial statements is appropriate and adequately reflects the factors that may impact on the valuation to 31 March 2018.
- We will report that your AGS complies with delivering Good Governance guidance issued by CIPFA / SOLACE in April 2016.
- We reviewed the narrative annual report and have no matters to raise with you.
- We have not received any queries or objections from local electors this year.
- We are now in the completion stage of the audit but prior to issuing our completion certificate we will need to conclude our audit of the whole of government accounts and review the consistency of the Pension Fund annual report.
- We also intend to issue our 2017/18 Annual Audit Letter on completion of our audit.

Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the deadline of 31 July 2018.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions / objections, opening balances, etc.).

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report. In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

We identified three prior year recommendations that require further action by Management. We have made one new recommendation as a result of our 2017/18 work. This recommendation relates to enhancing the controls to ensure clear documentation showing segregation between the preparer and approver of manual journals to the ledger. All recommendations are shown in appendix one.

We undertake other grants and claims work for the Authority. The status of our grants and claim work is summarised below:

- Certification of Housing Benefit Subsidy claim: we anticipate completing our work and issuing our certification report in October 2018;
- Certification of Teachers Pensions: we anticipate completing our work and issuing our certification report in October 2018; and
- Certification of Pooling of Housing Capital Receipts: we anticipate completing our work and issuing our certification report in October 2018.

The fees for this work are explained in appendix four.

We confirm that we have not had cause to raise a public interest report in year.

Section Two

Financial statements audit

We audit your financial statements by undertaking the following:

Work Performed	Accounts production stage		
	Before	During	After
1. Business understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	–	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages and report our key findings below:

1. Business understanding	In our 2017/18 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section.
2. Assessment of the control environment	<p>We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have made one recommendation which relates to the Authority's documentation of the segregation of duties between preparer and authoriser of manual journals. We believe that this recommendation (see appendix one) will strengthen your control environment.</p> <p>We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.</p> <p>We do place reliance on outsourced control environment through ISAE3402 reports received by the Authority for the Pension Fund custodian; Northern Trust, and pension fund managers; Blackrock, Baillie Gifford, Hermes, Newton, Prudential M&G, Pyrford, and Schroders which covers the Pension Fund investments asset portfolio and members transactions. These were all issued with unqualified opinions with no significant exceptions that impacted on our audit approach.</p>
3. Prepared by client request (PBC)	We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Interim Chief Accountant and principal accountant and this was issued as a final document to the finance team. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

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Financial statements audit

<p>4. Accounting standards</p>	<p>We work with you to understand changes to accounting standards and other technical issues. For 2017/18 these changes were minor but included:</p> <ul style="list-style-type: none"> • Updates to clarify the reporting requirements for accounting policies and going concern reporting; • The introduction of key reporting principles for the Narrative Report; and • Changes in the Pension Fund accounts to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.
<p>5. Accounts Production</p>	<p>We received a complete set of draft accounts by 31 May 2018 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.</p> <p>The Authority incorporated measures into its closedown plan to manage this complex process. The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to yearend to proactively address issues as they emerge. We consider that the overall process for the preparation of your financial statements went well. The areas where a continued focus in future years will ensure that you benefit are clarity and completeness of working papers and performance of year end capital accounting processes to robustly identify all disposals and additions of plant, property and equipment. We consider the Authority's accounting practices to be appropriate.</p> <p>We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.</p>
<p>6. Testing</p>	<p>We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. During the audit we identified presentational issues which have been adjusted as they have no material effect on the financial statements. We have identified presentational changes to the accounts along with audit adjustments to redundancy provisions, cash, plant property and equipment, audit fees, employee expenses and gain and loss on disposals which we have presented in appendix three.</p>
<p>7. Representations</p>	<p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We have asked for one specific representation regarding the valuation of land and buildings.</p> <p>We provided a draft of this representation letter to the Chief Operating Officer on 18 July 2018. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.</p>

Section Two

Financial statements audit

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with Management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, opening balances, public interest reporting, questions/objections, etc.).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over valuation of pension liabilities and valuation of land and buildings which were identified as significant risks within our audit plan;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence applied to key balances in the financial statements.

Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of land and buildings	Property, Plant and Equipment £2,571.5M (PY £2,042.4M) Investment Property £2.5M (PY £4.9M)	Valuations and estimates are inherently complex areas, which require management judgement. The earlier deadlines for producing the draft financial statements meant the timing and tolerances applied to these judgements needed to be carefully considered. The procedures that we undertook were: <ul style="list-style-type: none"> • We reviewed the approach adopted to assess the risk that assets not subject to valuation are materially misstated. This included assessment of the adequacy of the Authority's impairment review. We consider that the judgement made, which is that there is no material movement in the valuation of assets that have not been revalued during the financial year, is appropriate. • Our review of the quality of data provided to the valuer by the Authority and the valuation output from the valuer identified two issues, that resulted in an adjustment: <ul style="list-style-type: none"> – The valuer omitted from their initial valuation of Authority's assets, an asset where a portion of the data required by the valuer regarding the asset size was not provided. This resulted in an adjustment detailed in Appendix three; which increased the valuation of other land and buildings in plant, property and equipment by £7.6 million. – We also identified weaknesses in the processes to maintain the fixed asset register. We have confirmed that the impact to the reported numbers in the accounts is below our reporting threshold, however we have re-raised our prior year recommendation regarding the management of the fixed asset register. • We assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions) and found no exceptions. • We undertook testing of the classification of a sample of capital projects, including specific testing of the assets classification criteria and identified no issues in our testing. • We critically analysed the valuation methodology adopted by the valuer and benchmarked this against national indices and through independent review by KPMG valuation specialists and found that these were appropriate. This included reviewing the appropriateness of Beacon valuation completed by the valuer, including the completeness and accuracy of the beacons used. We also considered the basis on which the valuation has been carried out to ensure it is in line with The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and found the Authority had appropriately accounted for the valuation movements provided by the valuer.

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Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of land and buildings		<ul style="list-style-type: none"> We undertook testing of the completeness, the ownership and existence of the Authority's asset base on a sample basis and identified one asset which was disposed of during 2017/18, but not removed from the fixed asset register. The impact of this on the accounts is trivial. We have re-raised a recommendation relating to fixed asset register management.
Pension assets and liabilities	Pension fund liability £443.2M (PY £441.3M)	<p>We reviewed the controls that the Authority has in place over the information sent directly to the Scheme Actuary: Hymans Robertson LLP by the fund administrator which is the Authority and found them to be appropriately designed and implemented and operating effectively.</p> <p>As part of our audit of the pensions liability for both the Authority and the Pension Fund, we undertook work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. This data included information on the numbers of employees, period of employment, number of years to retirement and their pensionable salary. This work focused on the data relating to the Authority itself as largest member of the Pension Fund. Our sample testing of this data verified that the data provided to the actuary was complete and accurate based on the underlying payroll and staff records held by the Authority which we vouched our sample to.</p> <p>We evaluated the competency, objectivity and independence of Hymans Robertson LLP and identified no issues. We reviewed the appropriateness of key assumptions in the valuation, compared the assumptions to expected ranges, and used a KPMG actuary. There were no discrepancies identified in our review and assumptions used fell within expected acceptable ranges. We also verified that the Authority continues to engage with and review the data to be provided to the actuary in advance and reviews the output received from the actuary in the form of the actuarial valuation for consistency.</p> <p>We undertook work to verify that the information received back from the actuary has been appropriately reflected in the accounts, and were able to verify that that it has been. In our audit plan we set out how we would respond to specific requests from the auditors of other admitted bodies, as we are required to support their audits under the protocols put in place by the PSAA for this purpose. We can confirm that we received no such requests.</p>

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Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Faster close	Pervasive impact	<p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years. Year end estimates are always complex areas of the accounts. Earlier deadlines means the timing and tolerances applied to these need to be carefully considered. Our testing considered the provisioning and the accruals that are made by the Authority in this reduced close down period.</p> <p>We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.</p> <p>We received draft financial statements on the statutory deadline of 31 May 2018. The quality of this draft was consistent with that of prior years however there has been turn over in key staff positions in particular in relation to plant, property and equipment and there have been a high number of presentational and audit adjustments identified.</p> <p>In a number of areas the Authority made increased use of estimates. In these areas we considered the assumptions used and challenged the robustness of those estimates. The results of our testing identified that these continue to be balanced overall, this included provisions and accruals.</p>

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Financial statements audit

Authority other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Other areas of audit focus	Account balances effected	Summary of findings
Cash and cash equivalents	Cash and cash equivalents £11.9M (PY £9.3M)	We have obtained third party confirmations regarding cash balances held by the Authority. We also reviewed the manual reconciliations performed in year and at year end including testing the appropriateness of reconciling items and identified that in year bank reconciliations were appropriately completed through the year. At the year end the finance team went through the process to reconcile all bank accounts and prior unreconciled items to ensure the year end balance is appropriately reconciled. The Authority finalised the school's cash balances based on quarter three figures used to estimate the year end balance, our testing identified that the actual year end position on schools cash balances varied from the estimate by £1.3 million this has been adjusted for as described in appendix 3.
Grant income	Grant income £191.9M (PY £226.2M)	We have tested conditional grants and reviewed grant correspondence and assessed if the Authority has recognised the appropriate level of income within the General Ledger. No issues have been identified.
Creditors and accruals	Short-term creditors £99.1M (PY £87.1M)	We performed substantive testing on this balance and identified no issues, whilst we are finalising our testing of both the year end accruals and the year end cut off testing we have not identified any issues in the testing completed.
Housing benefit expenditure	Housing benefit expenditure £129.9M (PY £135.2M)	We have reviewed the year end subsidy claim and agreed this to underlying accounting records and performed review of the year on year movements to identify types of subsidy claims to focus our detailed sample on. This included how they are processed and posted to the General Ledger. There are no issues that have been identified.
Employee benefits expense	Employee benefits expense £326.9M (PY £367.4M)	We have completed a review of the design and implementation and the operating effectiveness of payroll controls to add new starters, amend payroll details and remove staff on leaving the Authority. We have done detailed substantive testing on a sample of employee benefit expenses agreeing to the underlying payroll and employee records held by the Authority including how these are then processed and posted to the General Ledger. There are no issues that have been identified.

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Financial statements audit

Pension Fund significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of hard to price investments	Net assets £188.7M (PY £186.6M)	As part of our audit of the Pension Fund, we independently verified a selection of investment asset prices to third party information and obtained independent confirmation on asset existence. We also tested the extent to which the Pension Fund had challenged the valuations reported by investment managers for harder to price investments and obtained independent assessment of the figures, this included reviewing the property valuations against general market indicators. We identified no issues from this work.

Pension Fund other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Other areas of audit focus	Account balances effected	Summary of findings
Cash and cash equivalents Cash	Cash and cash equivalents £1.7M (PY £8.2M)	We have obtained third party confirmations regarding cash balances held by the Pension Fund. We have received the confirmation. No issues have been identified.
Market value of investment	Investments £967.4M (PY £915.1M)	We have performed substantive testing over a sample of investments held agreeing to supporting third party confirmations. No issues have been identified.

Section Two

Financial statements audit

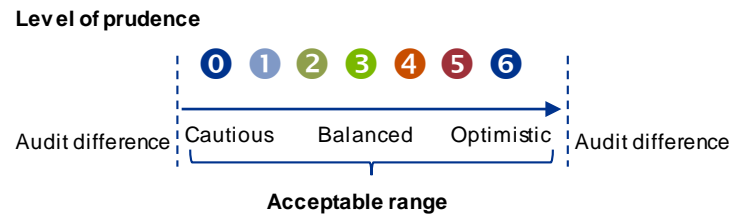
Risks that ISAs require us to assess in all cases	Why is this a risk?	Our findings from the audit
<p>Fraud risk from revenue recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.</p>	<p>Whilst we do not consider there to be a significant risk we have performed substantive testing over a sample of conditional revenue and capital grants received during the year.</p> <p>We reviewed grant correspondence and assessed if the Authority has recognised the income in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and grant agreement.</p> <p>We did not identify any misstatements or issues of revenue recognition in the course of our audit work and there are no matters arising from this work that we need to bring to your attention.</p>
<p>Fraud risk from management override of controls</p>	<p>Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p>	<p>We reviewed and tested the controls in place relating to posting of manual journals and found there were controls designed and implemented to prevent management override of controls through the use of segregation of duties to review and authorise journals.</p> <p>We found that these controls were operating effectively throughout the year. We have raised a recommendation in relation to the documentation of segregation of duties which will enhance the control environment. We also identified a manual journal that had been miscoded to employee expenses that related to lease payments due to a transposition error, this resulted in a decrease in employee expenses by £3.8 million which is detailed in appendix 3.</p> <p>We identified no further matters through the audit that we need to bring to your attention.</p>

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Financial statements audit

Judgements in your financial statements

We consider the level of prudence in key judgements in your financial statements. We summarise our view below using the following scale:



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Assessment of subjective areas				
Asset/liability class	Current year	Prior year	Balance (£M)	KPMG comment
Provisions (excluding NDR)	3	3	£7.1 (PY:£5.9)	£5.6 million (2016/17 £4.7 million) of the provision for 2017/18 relates to a historical provision in place in relation to insurance claims. This remains appropriate and balanced as it based the anticipated outcomes of claims that have not been finalised.
NDR provisions	3	3	£3.5 (PY:£2.9)	The remainder and movement in year £3.5 million (2016/17 £2.9 million) relates primarily to the Authority's share of business rates valuation appeals, which were previously met by the national pool. We consider the disclosure to be proportionate and balanced, as it has been based on actual movements in rateable values and appeals received.
Accruals	3	3	£49.8 (PY:£36.2)	The Authority has amended its timeline for calculating accruals levels in response to the shorter closedown period. We have been actively engaging with Management to understand the impact of this. Our testing identified that as a result of the shortened close down, areas of the accruals where the judgements made to calculate the accrual continue to be balanced overall.

Assessment of subjective areas				
Asset / liability class	Current year	Prior year	Balance (£m)	KPMG comment
PPE: HRA assets	3	3	£1,127.2 (PY: £1,061.1)	The Authority continues its use of the beacon methodology in line with the DCLG's Stock Valuation for Resource Accounting published in November 2016 and uses Wilks Head and Eve to provide valuation estimates. We reviewed instructions provided and deem that the valuation exercise is in line with the instructions. The resulting decrease of 0.81% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information we therefore consider this judgement to be balanced.
PPE: asset lives	3	3	NA	The asset lives were consistent with prior years. The valuations methodology has remained unchanged but the outcome has shown greater variability given market fluctuations. The valuation of Authority dwellings fell by 0.81% compared to an increase of 4.8% compared to the prior year. This was the product of the Authority's expert valuer's assessment which we have assessed as an appropriate expert with sufficient competence, capability and objectivity to carry out this work and therefore believe to be balanced.
Debtors provisioning	3	3	£48.2 (PY: £41.0)	We consider the judgements involved in the debtors provisioning to be balanced. The Authority's calculation of their bad debt provision is in line with the prior year. The increase is mainly due to an increased provision against unpaid contributions and NNDR debtors. We reviewed the underlying methodology and found that this remains unchanged as such we continue to conclude that this remains balanced.
Pension liability	3	3	£443.2 (PY: £441.3)	The discount rate, inflation, salary growth and life expectancy rates used are in line with the range expected. The decrease in the liability is mainly due to changes in financial assumptions as a result of the triennial valuation.

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Financial statements audit

Narrative report of the Authority

We have reviewed the Authority's Narrative Report and Annual Governance Statement and have confirmed that they are consistent with the financial statements and our understanding of the Authority.

Pension fund audit

The audit of the pension fund was completed alongside the main audit. The pension fund annual report has not yet completed by the Authority. There are no specific matters to bring to your attention relating to this.

We identified no material misstatements in the audit of the pension fund.

Pension fund annual report

We read the information in the Fund's Annual Report to identify material inconsistencies with the Fund's financial statements. In line with the Authority's reporting timetable we anticipate receiving this during August 2018 where we will complete work to confirm it is not inconsistent with the financial information contained in the audited financial statements. We anticipate issuing an unqualified consistency opinion on the pension fund financial statements in August 2018.

Queries from local electors

We have not received any queries or objections from local electors this year.

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Financial statements audit

Audit certificate and Whole of Government Accounts

In order for us to issue an audit certificate, we are required to have completed all our responsibilities relating to the financial year. We are not in a position to issue our audit certificate with the audit opinion as:

- HM Treasury has recently issued its guidance for completing the WGA and issued the consolidation packs that authorities need to complete. The deadline for the Authority to prepare the consolidation pack was 14 June 2018 with an audit deadline of 31 August 2018. We aim to complete the work in August 2018.
- In line with the Authority's reporting timetable we anticipate receiving this during August 2018. The deadline for the Authority to publish this is 1 December 2018 but we expect to be able to issue our audit report for the Pension Fund Annual Report in August 2018 to allow early publication.

We have not received any objections to the accounts from local electors, and therefore we expect to issue our audit certificate in autumn 2018 following completion of the above.

Other grants and claims work

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements. The status of our grants and claim work is presented below:

- Certification of teachers pensions: We anticipate completing our work and issuing our certification report in October 2018; and
- Certification of pooling of housing capital receipts: We anticipate completing our work and issuing our certification report in October 2018.

Audit fees

Our fee for the Authority audit was £165,975 excluding VAT (£165,975 excluding VAT in 2016/17) our audit fee for the Pension Fund was £21,000 excluding VAT (£21,000 excluding VAT in 2016/17). This fee was in line with that highlighted in our audit plan approved by the Audit and Standards Committee on 24 January 2018.

Our work on the certification of Housing Benefits (BEN01) is not yet complete, which is completed under PSAA arrangements. The planned scale fee for this is £34,358 excluding VAT (£22,785 excluding VAT in 2016/17).

Planned fees for other grants and claims which do not fall under the PSAA arrangements is £8,650 excluding VAT (£8,650 excluding VAT in 2016/17) and we have included in appendix 4 confirmation of the safeguards that have been put in place to preserve our independence.

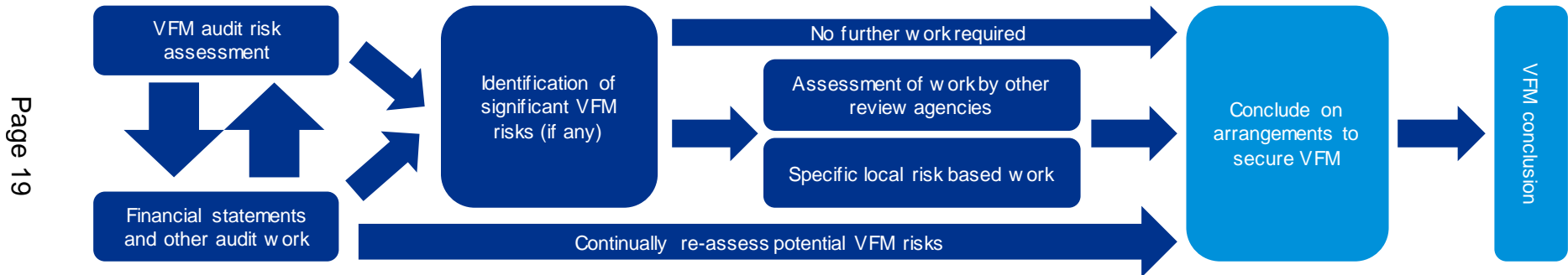
Section Three

Value for money

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk as summarised below:



We identified one significant VFM risks which is reported overleaf. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.

Section Three

Value for money

Significant risk based VFM audit work

Below we set out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

Significant VFM risk	Why this risk is significant	Our audit response and findings
Delivery of budgets	<p>The Authority identified the need to make savings of £9M in 2017/18 (2016/17 target was £9.3M; actual achieved was £12.9M). The forecast at the time of planning in October 2017 showed that the Authority will deliver an overspend of approximately £5.8M but is anticipating that further savings will be identified in order to meet the approved balanced budget. The most significant variation was in Children's care and support (£1.9m) which is driven by high demand for the service.</p> <p>The Authority's budget for 2018/19 was approved at the Council meeting in February and recognised a need for £11.3M savings. The approved budget included individual proposals to support the delivery of the overall savings requirement. Further savings of £27.3M will be required over the period 2019/20 to 2021/22 to principally address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will continue to have a significant impact on the Authority's financial resilience.</p>	<p>We reviewed the controls the Authority has in place to ensure financial resilience. This includes the monthly financial reporting and budget monitoring, and found that these were designed appropriately and operating as expected. We also specifically verified that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p> <p>We reviewed management actions and mitigations to deliver the budgeted position, this included specifically reviewing those in place within Children's care and support and found that the Authority has faced significant financial pressures through the year, this includes financial pressures identified in quarter one of 2017/18 particularly in relation to over spends in services such as costly interventions and placements which have driven the year end outturn position on services of £5.6M.</p> <p>Our testing identified that where there are overspends in services that work is undertaken to identify and implement mitigation and savings plans which we identified were in part successful in mitigating the identified projected outturn overspend of £6.8M which was forecast in November 2017.</p> <p>The Authority has General Fund reserves (both earmarked and non earmarked) of £72.6 million which provides a source of support to manage financial outturn which is finite and we noted that the Authority has, in 2018/19, refocused on delivery of savings programmes, which will be vital to ensuring that the Authority continues to operate in a financially sustainable way.</p>

Recommendations raised and followed up

Recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

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#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
1	2	<p>Documentation of segregation of duties of manual journals</p> <p>Our review of the processes and controls supporting the review and approval of manual journals to the ledger identified that the Authority could enhance the control environment. The Authority does not obtain systematic assurance over the segregation of duties controls in place for posting manual journals. This assurance is currently obtained by manually verifying that a manual journal has been posted and approved by separate users, meaning override of the segregation of duties would be difficult to identify. Our testing of those controls did not identify any exceptions in the operation of segregation of duties.</p> <p>The Authority should routinely review manual journals posted through routine reports to verify that all journals that have been posted have been subject to segregation of duties between the preparer and approver in the general ledger system.</p>	<p>Agreed</p> <p>We will review the users posting and authorising manual journals to the General Ledger on a monthly basis to provide assurance that controls to ensure segregation of duties continue to operate effectively.</p> <p>31 August 2018</p>

Recommendations raised and followed up

We raised no new recommendations through our audit work but have followed up the recommendations from the prior year's audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
5	2	3

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
Financial statements				
1	1	<p>Completeness of related parties declarations</p> <p>The Authority obtains annual related parties declarations from all Councillors and senior officers. This is an important process for ensuring potential conflicts of interest are managed effectively and are disclosed appropriately in the Statement of Accounts.</p> <p>Our audit identified two Councillors for whom related parties declarations were not obtained. There is a risk that actual or perceived conflicts of interest are not identified and managed appropriately.</p> <p>We recommend that the Authority initiates the related parties process earlier in the financial year to enable a complete set of returns.</p>	<p>Agreed</p> <p>Measures have been taken to incorporate declaration of interest process earlier in the year to reflect in the earlier detailed closure timetable, this includes earlier related parties' information requests from Directors and Councillors along with a due date on the timetable to have the returns back within the stipulated time to demonstrate good governance. Closure of Accounts lead will ensure/monitor that the request and the returns are made and returned within the due date, which is earlier in the year.</p> <p>Technical and financial reporting team 31 March 2018</p>	<p>Outstanding</p> <p>The Authority completed the requests for related parties earlier in the close down process but identified that there were Councillors who did not submit their declaration of interest, including those who were not running to be re-elected.</p> <p>Our testing identified no undeclared related parties.</p>

Recommendations raised and followed up

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
Financial statements				
2	2	<p>Quality check of assumptions and accuracy of valuation report</p> <p>As a result of our audit work this year we have identified an assumption used within the valuation report which results in an error within the financial statement. The underlying data within the valuation report also appeared to contain a transition error which has given rise to an unadjusted audit difference.</p> <p>We recommend that the Authority consider whether a sample check of the data within the valuation report and review of assumptions used by the valuers as part of the account production process would enable a more accurate data set for inclusion in the financial statement and fixed asset register.</p>	<p>Agreed</p> <p>Following review of this area the Authority has noted that these property records are checked and updated for accuracy before any action is taken which would rely on them. They are regularly updated following receipt of valuation/addition/disposal information and additional measures to ensure that this happens consistently will be developed and implemented following this audit recommendation.</p> <p>Valuations and Capital Accountant – 31 March 2018</p>	<p>Outstanding</p> <p>Whilst we identified significant work has been done to improve the quality of the plant property and equipment processes and controls we identified that there were omissions of assets from the final output from the valuer to the Authority. This resulted in an adjustment of £3.5M to increase the value of other land and buildings in plant, property and equipment.</p>

Recommendations raised and followed up

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
Financial statements				
3	2	<p>PPE controls – disposals and valuations</p> <p>We identified two control deficiencies from our PPE testing and a number of small inaccuracies in the working papers. The control deficiencies are as follows:</p> <ul style="list-style-type: none"> An asset verification exercise had been conducted for items with nil net book value. Our sample testing found assets that were written off because the relevant manager did not recognise the asset description. This creates a risk that assets cannot be identified to enable the complete and accurate maintenance of the asset register. There could be further items with a net book value which are similarly unidentifiable and may have been disposed of creating a risk of overstatement of PPE. We are satisfied this risk is not material as it will only relate to the vehicles, plant and equipment. The Authority's valuer, Wilks, Head and Eve, suggested in their market review that a material change may have taken place regarding assets held at depreciated replacement cost. Prior to audit, the Authority had not followed up this point to identify if an adjustment was required. We are satisfied that subsequent actions taken have provided sufficient assurance. <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>Accepted:</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. Principal Accountant - Capital</p>	<p>Outstanding:</p> <p>Whilst we noted there has been significant work completed to improve the quality of plant property and equipment processes and controls we noted a number of continuing issues.</p> <ul style="list-style-type: none"> Disposals and demolitions of two buildings had occurred which were not appropriately recorded this resulted in an adjustment to the accounts of £3.5M; An addition to an existing asset that was not identified, the value of this was clearly trivial in value; and Three assets had incorrect information relating to the asset dimensions; two of these had a clearly trivial impact on the accounts and one asset resulted in an increase of £4.0M.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2017/18, presented to you on 24 January 2018.

- Materiality for the Authority's accounts was set at £14.0 million (£16 million 2016/17) which equates to around 1.5% of gross expenditure.
- Materiality for the Pension Fund was set at £9.0 million (£7.5 million) which equates to around 1% of gross assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to Audit and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any misstatements of lesser amounts to the extent that these are identified by our audit work. Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. *ISA 450* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.7 million (£0.8 million 2016/17) for the Authority and less than £0.45 million (£0.375 million) for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.

Audit differences

Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit and Standards Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. We identified no such differences.

Adjusted audit differences

To assist the Audit and Standards Committee in fulfilling its governance responsibilities we present in the tables below a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Authority adjusted audit differences						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
1	Cr Employee Expenses £3.8M Dr Lease Expenses £3.8M					A manual journal raised to debit an expense relating to lease payments was recognised in the employee expenses line due to a miscoding. We raised a recommendation in relation to the segregation of duties and review of manual journals posted in appendix two.
2	Cr Schools income £1.5M Dr Schools expenditure £0.2M		Dr Cash £1.3M			The accounts were closed based on estimates based on quarter three data in relation to schools. The final balance received after year end confirmed that this was £1.3M higher.
3	Dr Capital Receipts £5.3M Cr Expenditure £5.3M	Cr MIRS £5.3M Cr MIRS £5.3M				The Authority sought to remove the impact of capital receipts relating to Weavers; a subsidiary of the Authority, as these are separately disclosed in the accounts from the losses on disposals. The manual adjustment doubled the value due to a transposition error.

Audit differences

Authority adjusted audit differences						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
4	Cr Redundancy Provision £0.7M		Dr Redundancy provision £0.7M			This relates to the inclusion of a provision based on estimated costs of redundancy payments to staff at year end, for which the Authority was not yet committed.
5			Dr Other land and buildings £3.6M		Cr Revaluation Reserve £3.6M	A building was omitted from the original output from the Authority's valuer which related to a sports hall on an Authority school's site.
6	Cr Gain on revaluation £2.0M	Dr MIRS £2.0M	Dr Other land and buildings £4.0M		Cr Revaluation Reserve £2.0M Dr Capital adjustment account £2.0M	The inputs provided to the valuer which were used to calculate the valuation of an asset were not correct, this related to the gross internal area, which had not been amended for an additional block that was constructed on the site.
7	Dr Historical gains on revaluation £9.1M	Cr MIRS £10.4M	Cr Other land and buildings £19.5		Dr Revaluation Reserve £10.4M Dr Capital adjustment account £10.4M	An authority school was disposed off as it converted to an academy. This was not identified and disposed off through the accounts. The correcting entries remove the asset from the accounts by removing the asset from the balance sheet and removing the historical gains held in the revaluation reserve.

Audit differences

Presentational adjustments – Authority

We identified presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). Whilst the majority of these adjustments were not significant, we identified a limited number of adjustments of a more significant nature and details of these are provided in the following table. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments – Authority	
#	Basis of audit difference
1	In the draft accounts submitted for audit we identified that a number of prior year entries have been adjusted from the figures in the prior year audited accounts. These have been adjusted to replace accounting estimates used to finalise the accounts with the actual figures. These were manual adjustments which should have been recognised in year.
2	In the draft accounts submitted to audit we noted presentational errors in relation to the senior managers pay disclosure these included: <ul style="list-style-type: none"> • Casting errors in the bandings of staff paid more than £50,000 – there were errors in the numbers of individuals disclosed in the note; and • Incorrect salary for Director of Education – the value of remuneration is required to be disclosed, our testing found that for this individual there was an error resulting in the salary disclosure being overstated by £2.9k.
3	The non-audit fee relating to certification of grants and certificates, and non-audit services provided by the external auditors was not appropriately disclosed as both of these disclosures were combined rather than disaggregated.
4	There were presentational adjustments to the staff exit packages note in relation to the audit adjustment four in appendix four. This changed both the value and the number of packages in year.
5	The figures used in the Council Tax Base note to the Collection Fund account was inaccurate as it was the wrong year's figures.
6	A transposition error was made on the value of the Greater London Authority precept for Council Tax, requiring that this was updated to show £13.2M

We identified presentational adjustments required to ensure that Pension Fund's financial statements for the year ending 31 March 2018 are fully compliant with the Code. We identified no presentational adjustments in the Pension Fund's financial statements that are considered to be significant.

Audit independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LONDON BOROUGH OF BARKING AND DAGENHAM AND LONDON BOROUGH OF BARKING AND DAGENHAM PENSION FUND

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: general procedures to safeguard independence and objectivity; breaches of applicable ethical standards; independence and objectivity considerations relating to the provision of non-audit services; and independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Audit independence

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 4, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Authority	165,975	165,975
Audit of the Pension Fund	21,000	21,000
Total audit services	186,975	186,975
Allowable non-audit services	0	0
Audit related assurance services	8,650	8,650
Mandatory assurance services	34,358	22,785
Total Non Audit Services	43,008	31,435

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.17:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole. We confirm that all non-audit services were approved by the Audit and Standards Committee.

Audit independence

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table below:

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Audit-related assurance services				
Grant Certification – Teachers Pensions Return and Pooling of Housing Capital Receipts Return	The nature of these audit-related services is to provide independent assurance on each of these returns. As such we do not consider them to create any independence threats.	Fixed Fee	£0	£8,650
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on the return. As such we do not consider it to create any independence threats.	Fixed Fee	£0	£34,358

Prior to our appointment as auditor to the London Borough of Barking and Dagenham we advised the Authority on VAT matters. One area, which is common across Local Authorities nationally, is currently being tested with HMRC. In the event that the test case is successful, we will assist the Authority with preparation of papers to submit to HMRC. The maximum potential fee is £60,000, however we will not receive any fee unless the case is successful. We have re-reviewed the permissibility of this service under the National Audit Office's Auditor Guidance Note (AGN) 01 -General Guidance Supporting Local Audit.

Audit independence

Subsidiary Auditors

Whilst the Local Authority does not prepare group accounts we are the appointed auditors of the following subsidiaries of the Local Authority.

- B&D Reside Roding Ltd. This audit is planned for October. Our fee for 2017/18 is £7,500 (2016/17 £7,500)
- B&D Reside Regeneration LLP. This audit is planned for October. Our fee for 2017/18 is £6,500 (2016/17 £6,500)
- B&D Reside Ltd . This audit is planned for October. Our fee for 2017/18 is £3,000 (2016/17 £3,000)
- B&D Reside Regeneration Ltd . This audit is planned for October. Our fee for 2017/18 is £1,500 (2016/17 £1,500)
- B&D Reside Abbey Roding LLP . This audit is planned for October. Our fee for 2017/18 is £6,500 (2016/17 £6,500)
- TPFL Regeneration Ltd . This audit is planned for October. Our fee for 2017/18 is £1,500 (2016/17 £1,500)

We are also aware of three new companies for which we have not yet been appointed as auditors of:

- B&D Reside Weavers LLP.
- B&D Energy Ltd.
- Barking & Dagenham Renew .
- Be First.

Contingent fees

We have not agreed any contingent fees with the Authority.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Standards Committee .

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Standards Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

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