External Audit Report 2015/16

Royal Borough of Kensington and Chelsea

20 September 2016

Contents

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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 Andrew Sayers, the engagement lead to the Authority and the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, who will try to resolve your complaint. 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.

Section one: Introduction

Section one

Introduction

This document summarises:

- **The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for both the Authority and its pension fund; and**
- **Our assessment of the Authority's arrangements to secure value for money.**

Scope of this report

This report summarises the key findings arising from:

- Our audit work at RBKC ('the Authority') in relation to the Authority's 2015/16 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- The work to support our 2015/16 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2015/16*, presented to you in April 2016, set out the four stages of our financial statements audit process.

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for this took place during July 2016.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also included in this report.

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

- Assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- Carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority and the Pension Fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Section two: Headlines

Headlines

We are aiming to issue our opinion on the Authority's financial statements by 30 September 2016.

However, there are two areas in relation to the Pension Fund that need to be completed. If these are not resolved by the 30 September 2016 we would not be in a position to sign the Authority's financial statements, which incorporate the Pension Fund financial statements.

In relation to the Authority's financial statement themselves we anticipate issuing an unqualified audit opinion. The position as regards the Pension Fund is dependent upon resolving the issues outlined on this page.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements themselves. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007. Subject to the successful resolution of outstanding queries, we anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007. We have further work to be completed relating to the Pension Fund (see below). If they were all to be resolved to our satisfaction, we would anticipate issuing an unqualified audit opinion by 30 September 2016.
Pension Fund audit	Work on the audit of the Pension Fund is nearing completion. There are two areas, noted below, where issues have arisen requiring further work: — Additional testing needed as a result of exceptions identified in membership data, particularly in relation to active members i.e. those making contributions to their LGPS pension. — Obtaining appropriate support for the valuations of level 2 and 3 assets from fund managers with an overall value of £91 million These matters are approaching resolution. Whilst we anticipate this should be completed by 30 September 2016 there is a risk this may not be achieved. As the Pension Fund financial statements form part of the overall Authority financial statements, any delay in the finalisation of the Pension Fund audit would delay our overall opinion on the Authority's financial statements. We will provide an oral update to the Audit and Transparency Committee on 29 September 2016.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any significant adjustments. The Authority made a number of minor adjustments, all of which were of a presentational nature. There was no impact on the general fund.

Headlines (cont.)

We have noted the continued high quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

Difficulties related to managed services implementation have been mitigated to ensure financial reporting processes were adequate.

Key financial statements audit risks	We review risks to the financial statements on an ongoing basis and tailor our audit procedures accordingly. In addition to the rebuttable presumption of the fraud risk from revenue recognition, we identified the following key financial statement audit risks in our 15/16 External audit plan issued in April 2016. — Management override of controls; — Valuation of Property, Plant and Equipment; and — Managed Services implementation (affecting Cash, Debtors, Creditors, Journals and Payroll). We have worked with officers throughout the year to discuss these audit risks. Our detailed findings are reported in section 3 of this report. There were several matters arising related to managed services implementation, specifically around the processing of journal transactions and the chasing and matching of debtors to income, which are summarised in Appendix one. We have agreed two high priority recommendations over the visibility and assurance of controls operating at the managed service organisation and the pension fund data cleansing process.
Accounts production and audit process	We received complete draft accounts by 30 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. We have noted the continued high quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. Managed services implementation has presented a number of well documented challenges during the year. With regards to the accounts production process, the Authority has implemented additional year end measures to provide officers with assurance that the processes in place for the production of the accounts were adequate and supported by good quality working papers. This included retaining additional finance staff and performing additional assurance procedures over the year end accounts. As in previous years, we will debrief with the Finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2016/17 audit process. In particularly we would like to thank Authority Officers who were available throughout the audit visit to answer our queries.

Headlines (cont.)

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2016.

At the date of this report our audit of the financial statements is substantially complete for the Authority, but we have a small amount of further work to complete in relation to the Pension Fund.

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 confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

VFM conclusion and risk areas	We did not identify any specific VFM risks in our External Audit Plan 2015/16 issued in April 2016. However, we identified three VFM areas of audit focus for our year end procedures, including: — Managed Services implementation; — Procurement and contract management; and — Sustainable resource deployment. Our detailed findings are reported in section 4 of this report. There are no matters of significance arising as a result of our audit work on these VFM focus areas. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2016.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: — Third party confirmations of schools cash balances; and — Pension fund (see above). In addition we will need to complete our normal completion procedures including agreement of the final set of financial statements, receipt of the representation letter and completion of the post balance sheet event review. 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 provided a draft of this representation letter to the Section 151 Officer on 13 September 2016. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Section three: Financial Statements

Proposed opinion and audit differences

We have not identified any issues in the course of the audit that are considered to be material.

We had a number of queries in relation to the Pension Fund and are currently finalising our assessment of the impact of these.

If they are all resolved to our satisfaction, we would anticipate issuing an unqualified audit opinion. Whilst we expect to complete this work by the time that the Statement of Accounts is due to be approved by the Audit and Transparency Committee on 29 September 2016 there is a risk that it may not.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit and Transparency Committee on 29 September 2016.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities. The materiality (see Appendix two for more information on materiality) level for this year's audit was set at £10 million. Audit differences below £500,000 are not considered significant. We did not identify any significant adjustments.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code')*. However, we understand that the Authority will be addressing these where significant.

Narrative report

We have reviewed the Authority's narrative report and can confirm it is not inconsistent with the financial information contained in the audited financial statements.

Annual governance statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and

We have made a number of comments in respect of its format and content which the Authority has agreed to amend where significant.

Pension fund audit

For the audit of the Fund we used a higher materiality level of £16.5 million. Audit differences below £825,000 are not considered significant. Our audit of the Fund also has not yet identified any significant misstatements.

However, as highlighted previously we have further work to complete in relation to contributions received; pensions paid; and level 2 and level 3 investments. If this further work is completed to our satisfaction, we would anticipate issuing an unqualified audit opinion. Whilst we expect to complete this work by the time that the Statement of Accounts is due to be approved by the Audit and Transparency Committee on 29 September 2016 there is a risk that it may not. We will update the Committee orally at the meeting.

Pension fund annual report

The Pension Fund Annual Report has been prepared and we are in the process of confirming that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts. The statutory deadline for publishing the document is 1 December 2016.

The Pension Fund Annual Report was approved by the Investment Committee on 15 September 2016.

Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

***Valuation of Property, Plant and Equipment* - No issues were noted as a result of the testwork performed.**

***Managed Service Implementation* – We have noted issues in the processing of transactions by BT in particular outstanding debtor balances have not been chased and in the matching of income to debt. See Appendix one for further detail.**

In our *External Audit Plan 2015/16*, presented to you in April 2016, we identified the significant risks affecting the Authority's 2015/16 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Valuation of Property, Plant and Equipment

- Risk: As at 31 March 2016 the value of the Council's PPE was £1.4 billion. Local authorities exercise judgement in determining the fair value of different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. The Council is responsible for ensuring that the valuation of PPE is appropriate at each financial year end and for conducting impairment reviews that confirm the condition of these assets. The inherent uncertainty in valuation combined with the high value of assets held by the Council create a significant risk to the financial statements.
- Findings: As part of our 2015/16 audit, we have reviewed management's assessment of property valuations and impairment calculations; confirmed the information provided to the valuer from the Authority; compared the assumptions made by your valuer to benchmarks and to the assumptions used for 2014/15 for consistency; completed testing over new capital additions in year to confirm these have been appropriately capitalised and that Council ownership is evidenced; reviewed disposals made in year and confirmed their removal from the PPE balance. No issues were noted as a result of the testwork performed.

Managed Services Implementation

- Risk: The Tri-borough councils implemented a new financial system on 1 April 2015 through a managed service partnership with BT. There have been a number of difficulties with the implementation which gives rise to a significant risk over the completeness and accuracy of the balances in the financial statements.
- Findings: As part of our 2015/16 audit, we have performed testing over the opening balances imported into the Agresso system, reviewed the testing carried out by the finance team to gain assurance over the accuracy of transactions being made by BT; reviewed the Internal Audit work completed related to the implementation; and carried out substantive testing over material balances in the financial statements. As a result of the implementation of managed services we have modified our audit approach from a controls based to a substantive risk based audit. We have performed additional tests of detail over significant balances, specifically in Debtors, Creditors, Income and Expenditure. During our testing, we have noted issues in the way outstanding debt is chased and subsequently matched to income. See Appendix one for further detail.

Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

Fraud risk of revenue recognition **- We do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.**

Management override of controls **- There are no matters arising from this work that we need to bring to your attention.**

In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were the Fraud risk of revenue recognition and Management override of controls.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

We have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is typically in a unique position to perpetrate fraud because of 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. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried 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.

There are no matters arising from this work that we need to bring to your attention.

Other areas of focus

In our External Audit Plan 2015/16, presented to you in June 2016, we identified nine areas of audit focus. These are not considered as significant risks but areas of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for each of the areas of audit focus.

No issues were noted as a result of these procedures.

Housing Benefits Expenditure - £145m in 15/16 (£147m in 14/15)

Audit Focus: Housing benefits is an area of audit focus due to the size of the figures and the degree of complexity inherent in the calculation of benefit payable.

Findings: We have gained an understanding over the controls related to housing benefits expenditure; completed substantive analytical review of rent rebates and rent allowances; and reconciled expenditure to the subsidy claim form. We note that we will be performing a full audit of the subsidy grants claim form prior to the relevant deadline at the end of November 2016.

No issues were noted as a result of these procedures.

Business rates income (NDR) - £80m in 15/16 (£80m in 14/15)

Audit Focus: NDR is material, has complexity in the translation from Collection Fund into Council prime statements and a degree of judgment underlying the NDR appeals provision.

Findings: We have gained an understanding over controls related to business rates income; completed substantive analytical review of income; and agreed precepts to underlying documentation. We have also considered the basis of the appeals provision and noted that it appears reasonable.

No issues were noted as a result of these procedures.

Council tax income - £75m in 15/16 (£72m in 14/15)

Audit Focus: Council tax is a material income stream for the Authority and there is complexity surrounding the translation from Collection Fund into Council primary statements.

Findings: We have gained an understanding over controls related to Council tax income; tested the operating effectiveness of five Valuation Office Agency to Academy reconciliations; completed substantive analytical review of income; and agreed precepts to underlying documentation.

No issues were noted as a result of these procedures.

Other areas of focus

HRA Rental Income - £58m in 15/16 (£57m in 14/15)

Audit Focus: HRA dwelling rental income is an area of audit focus due to the material value.

Findings: We have gained an understanding over controls related to HRA rental income; completed a substantive analytical review of dwelling rent income and reconciled the HRA amounts to the Authority's CIES.

No issues were noted as a result of these procedures.

HRA Repairs and Maintenance and Management Expenditure - £25m in 15/16 (£27m in 14/15)

Audit Focus: HRA expenditure over repairs & maintenance and supervision & management is an area of audit focus due to the material size.

Findings: We have gained an understanding over controls related to HRA expenditures and completed substantive analytical review of HRA expenditures. We have tested the authorisation of 25 non-pay expenditures and performed substantive testwork over non-payroll expenditure, which included expenditure related to HRA.

No issues were noted as a result of these procedures.

Accounting for pension assets and liabilities - £219m in 15/16 (£266m in 14/15)

Audit Focus: Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a very complex accounting area increasing the risk of misstatement.

Findings: We have confirmed the information provided to the actuary from the Authority; reviewed the actuarial valuation and considered the disclosure implications; considered the assumptions made by your actuaries to benchmarks, which are collated by our KPMG actuaries, and to the assumptions used for 2014/15 for consistency.

No issues were noted as a result of these procedures.

Other areas of focus

Payroll - £166m in 15/16 (£166m in 14/15)

Audit Focus: Payroll represents a significant proportion of the Authority's annual expenditure. Whilst not considered overly complex from a material error perspective, we consider that it is important from an audit perspective to understand the nature of the Authority's expenditure in this area. This is also an area impacted by the transition to Managed Services.

Findings: We have reviewed the effectiveness of controls over 25 starters and 25 leavers; completed substantive analytical review of payroll costs; and tested supporting system information used to compile the review. We have gained an understanding of control reconciliations performed by BT during the year under audit, but have not relied on these controls for the purposes of our audit.

No issues were noted as a result of these procedures.

Non-Payroll Expenditure - £427m in 15/16 (£425m in 14/15)

Audit Focus: Non-payroll expenditure, specifically the accounts payable component, is an area of audit focus due to its pervasive impact on the financial statements and size. This is also an area impacted by Managed Services.

Findings: We have tested the operating effectiveness of controls over the authorisation of 25 non-payroll expenditures. We have performed substantive tests of details to agree 83 expenditures to third party documentation and cut-off testing over these non-payroll expenditure to ensure costs are recorded in the correct period.

No issues were noted as a result of these procedures.

Cash - £32m in 15/16 (£35m in 14/15)

Audit Focus: Cash has a pervasive impact on the financial statements and provides comfort for other areas of the financial statements. This is also an area impacted by Managed Services.

Findings: We have reviewed the year end bank reconciliation and confirmed balances with external third parties. We are still awaiting third party confirmations for schools balances. We have gained an understanding of control reconciliations performed by BT during the year under audit, but have not relied on these controls for the purposes of our audit.

No issues were noted as a result of these procedures.

Significant audit risks - pension fund

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our External Audit Plan 2015/16, presented to you in April 2016, we did not identify any significant risks affecting the Authority's Pension Fund's 2015/16 financial statements. However, during the course of the audit we have identified the change in service provider as a significant risk.

The table below sets out our detailed findings for each of the risks that are specific to the Pension Fund.

Managed Services Implementation & Change in Service Provider

- Risk: The Tri-borough councils implemented a new financial system on 1 April 2015 through a managed service partnership with BT. There have been a number of difficulties with the implementation. This affects the Pension Fund through the administration of payroll data. In addition the pension administration services have transferred from Capita to Surrey County Council in September 2015.
- Findings: As part of our 2015/16 audit, we have performed testing over the listings of active members and pensioners as part of our testing to gain assurance over contributions and benefits. Our testing of membership data found issues with 5% of the sample of active contributors and 11% of the sample of pensioners. We therefore needed to undertake additional substantive testing in these areas in order to be able to reach an opinion on the financial statements. The Council is aware of the issues encountered with the handover of data from Capita to Surrey County Council both in terms of technical difficulties and completeness/accuracy of data held. Consequently, there is a comprehensive plan to ensure all membership data is complete and accurate.

Significant audit risks - pension fund

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

***Fraud risk of revenue recognition* – We do not consider this to be a significant risk for the Pension Funds as there is unlikely to be an incentive to fraudulently recognise revenue.**

***Management override of controls* – There are no matters arising from this work that we need to bring to your attention.**

In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas for the Fund.

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Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Pension Funds as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. **Since we have rebutted this presumed risk, there has been no impact on our audit work.**

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of 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. We have not identified any specific additional risks of management override relating to this audit of the Fund.

In line with our methodology, we carried 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.

There are no matters arising from this work that we need to bring to your attention.

Other areas of focus

In our External Audit Plan 2015/16, presented to you in June 2016, we identified one area of audit focus relating to the Pension Fund.

Work on this area is ongoing.

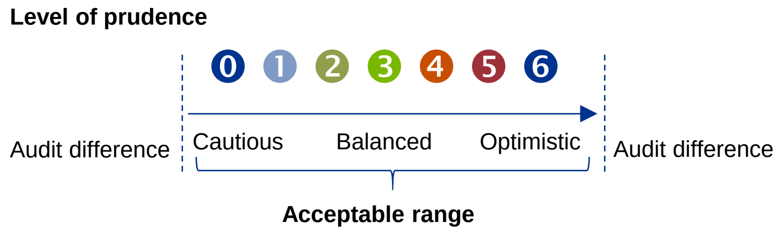
Pension Fund Investments - £841m in 15/16 (£826m in 14/15)

Audit Focus: The value of pension fund investment assets is a material item in your financial statements, which can involve an element of judgment and uncertainty.

Findings: We reviewed the valuation of the Pension Fund investments, including the unlisted investments, and consider the independent assurance that is available in respect of the valuation processes and valuations of funds. However we have not yet received all the required assurance to conclude on the valuation of level 2 and level 3 investments held by the Fund (total value in the financial statements is £42m for level 2 investments and £49m for level 3 investments). We have reviewed the disclosure notes in the light of relevant requirements.

Judgements

We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas

Asset/liability class	15/16	Balance (£m)	KPMG comment
Accruals **Note 20: Creditors**	3	£43 million *(PY: £32 million)*	We have agreed a sample of the accruals recorded in your financial statements to supporting documentation, including confirmation of post-year end payment. We have reviewed a sample of post-year end payments to check the cut-off of expenditure recorded in the period and ensured there are no unrecorded liabilities at the year end. Based on the above work, we believe the Council's assessment to represent a balanced view of future payables and within the acceptable range of estimates
Grants **Note 11: Taxation and Non-Specific Grant Income**	3	£57 million *(PY: £63 million)*	We noted that grants income is split into £48m of non-ring fenced government grants and £9m capital grants and contributions. For non-ring fenced grants, we selected items with high value and agreed these back to supporting documentation. For capital grants, we agreed a sample of grants back to supporting documentation and confirmed that conditions have been met to release income. We have performed additional procedures over the Dedicated Schools Grant income, agreeing the budget and award to notification and sample of expenditure items to remittance advice. Based on the above work, we believe the Council's assessment to represent a balanced view of grant income recognised in the period.
Business rate appeals **Note 21: Provisions**	3	£6.8 million *(PY: £5.5 million)*	We tested and agreed underlying data used to calculate the NDR provisions. The data used to calculate the appeals provision came from a Valuation Office Agency (VOA) report. All appeals go via the VOA. We assessed the reasonableness of the Council's approach and that the figures could be reconciled to VOA reports. We noted that in the Chancellor of the Exchequer's Autumn Statement 2014, the backdating of NDR appeals would no longer be allowed after 1/4/15. After this statement, the Council noted a large uptick in the amount of appeals lodged as rating agents were trying to ensure that their interests were covered. The judgements used applied by the council appeared balanced throughout our testing and within the acceptable range of estimates.

KPMG

Judgements

Assessment of subjective areas			
Asset/liability class	**15/16**	**Balance (£m)**	**KPMG comment**
Note 12: Property, Plant and Equipment (valuations / asset lives)	3	£1,380 million *(PY: £1,338 million)*	We have reviewed management's assessment of property valuations and impairment calculations; confirmed the information provided to the valuer from the Authority; and compared the assumptions made by your valuer to benchmarks and to the assumptions used for 2014/15 for consistency. Overall we have concluded the Authority has made a balanced estimate and that the judgements represent a balanced assessment of asset lives.
Pensions **Note 40: Defined benefit pension schemes**	3	£219 million *(PY: £266 million)*	We have reviewed the actuarial valuation for pensions and considered the assumptions made by your actuaries in comparison to benchmarks, which are collated by our KPMG actuaries, and to the assumptions used for 2014/15 for consistency. Our view is that the Authority and its actuaries are balanced in determining the net pension liability and within the acceptable range of estimates.
Note 1: Accounting policies	3	N/A	We have reviewed the Authority's accounting policies as contained in the accounts to ensure consistency with the relevant accounting standards and the CIPFA Code. We have also analysed any changes in accounting policy from the previous period. We have determined that the Authority's accounting policies are consistent with those set out in the CIPFA Code of Practice, prior year accounting policies, and our understanding of the Authority's application of them.
Reserves **Movement in Reserves Statement**	3	£200 million *(PY: £187 million)*	We have reviewed the Earmarked Reserves disclosure for reasonableness and agreed all significant movements between reserves to confirm they are appropriate and have been authorised by the relevant individual. We believe the Authority's judgement to be balanced.

Accounts production and audit process

We have noted the continued high quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Initial testing of the Pension Fund identified that member and pensioner listings were not complete or accurate due to difficulties with the inherited data from Capita and current data received from BT. Additional work is being undertaken.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has experienced challenges in its financial reporting process as a result of managed services implementation; however, these issue have been addressed throughout 2015/16 and mitigated through additional officer action where possible. There is scope to improve this further by improving the focus of communication between BT and local teams, particularly in the processing of transactions and mapping of accounts. Additional controls assurance should be sought from BT through the request of a third-party control assurance report (ISAE 3402) or specific internal audit work. This would provide insight into the strength of controls at the service organisation and therefor additional assurance to officers and members. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 24 June 2016.
Quality of supporting working papers (cont)	Our *Accounts Audit Protocol*, which we issued on 21st April 2016 and discussed with the Corporate Finance Manager, set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time. As part of our audit debrief, we will work with the Council to build on this in the future, including engaging with BT to understand how best to communicate our audit requests to them going forward. With regards to the pension fund and specifically the resolution of membership data quality issues, we understand that additional resources are to be employed by SCC to address any issues going forward.
Pension Fund Audit	The audit of the Fund was completed alongside the main audit. Initial testing identified that member and pensioner listings were not complete or accurate due to significant difficulties with the inherited data from Capita and current data received from BT. We have worked with the Authority to resolve these issues but due to errors identified in the membership data needed to undertake additional substantive testing.

Findings in respect of the control environment for key financial systems

We have completed our testing of controls operated during the closedown process and noted some issues with journal entry transactions processed at BT and with the chasing of debtors and matching processes of income to debt. Appendix one provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of RBKC Council and RBKC Pension Fund for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and RBKC Council and RBKC Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix four in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Strategic Finance Director for presentation to the Audit, Pensions, and Standards Committee. We require a signed copy of your management representations before we issue our audit opinion.

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.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

KPMG

Section four: Value for Money

VFM Conclusion

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Background

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.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

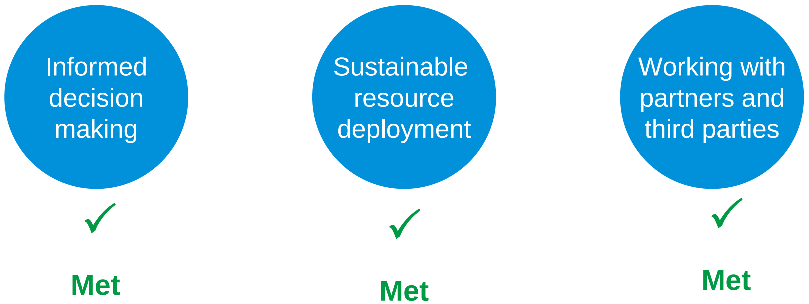
These sub-criteria provide a focus to our VFM work at the Authority.

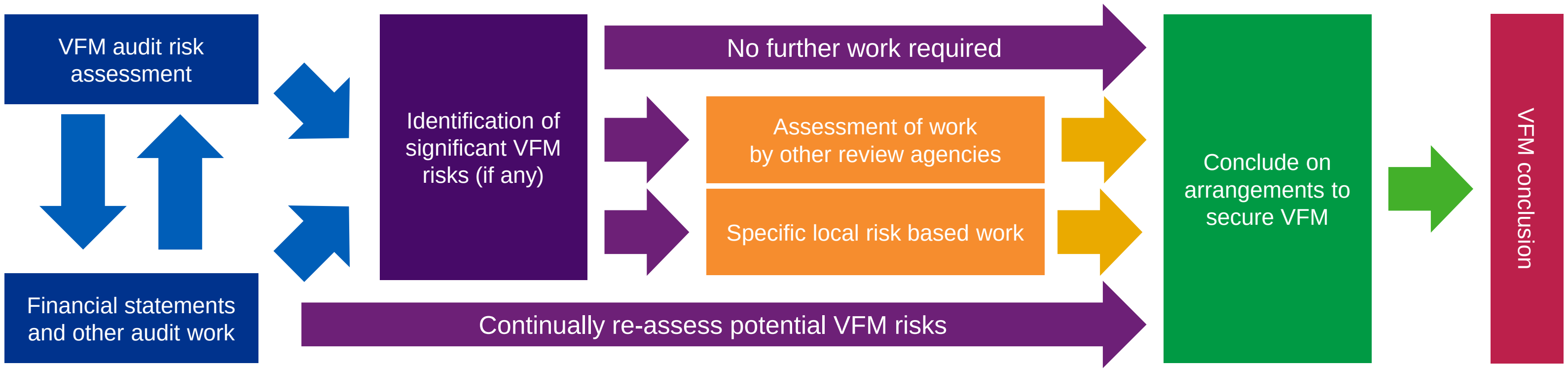
Conclusion

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.





Specific VFM Risks

We have not identified any specific VFM risks. However, we have identified three areas of audit focus related to VFM.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these areas are adequate.

We concluded that we needed to carry out additional work for some of these areas. This work is now complete and no issues were identified.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and
- Completed specific local risk based work on three areas of audit focus

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk or audit focus for our VFM conclusion.

We concluded that we needed to carry out additional work for some of these areas. This work is now complete and we also report on this below.

Key VFM area of focus	Risk description and link to VFM conclusion	Assessment
Contract Management	**Working with partners and third parties** Procurement and Contract Management. We will consider the process for managing contracts entered into by the Trust to ensure that performance objectives are being achieved and any issues are being managed. This is relevant to working with partners and third parties sub-criteria of the VFM conclusion.	Contracts are managed locally by Services. Each contract is included on a central Contract Register, which is designed to improve contract management and provide a consistent approach across the council. The Council's internal audit have undertaken a number of reviews related to contract management throughout the year. Where recommendations have been raised these are being addressed. We performed a review of the internal audits related to contract management. Our testing included holding discussions with the Senior Internal Audit Manager and reviewing a sample of two contracts including Managed Services. We have determined that there are proper arrangements in place to ensure that RBKC has achieved value for money in its workings with partners and third parties.

Specific VFM Risks (cont.)

Key VFM area of focus	Risk description and link to VFM conclusion	Assessment
Managed Services	**Informed decision making, sustainable resource deployment, and working with partners and third parties** The Tri-borough councils implemented a new managed service partnership with BT on 1 April 2015. There have been a number of difficulties with the implementation which gives rise to a risk over management's ability to make informed decision making and has an impact on forward planning and budget monitoring.	The Council have put action plans in place to ensure that there are appropriate mitigating controls for weaknesses in the Managed Services arrangement. There are regular meetings with the Managed Services Provider through Operational Framework Board (OFB) and Managed Services Sponsors meeting to track progress against targets. A comprehensive and regularly reviewed risks and issues register is being maintained. Through our review of the Managed Services contract and related documentation, analysis of the OFB minutes, and meetings with the Interim Director of Finance and Head of Managed Services, we have determined that there are proper arrangements in place to ensure RBKC took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people in relation to managed services.
MTFS	**Sustainable resource deployment** Determining the financial resilience of RBKC over the longer term. We will consider how they are monitoring and delivering on their savings plans to ensure sustainability.	The council manages its financial risks through a range of controls including budget preparation, budget setting and budget monitoring. Regular in-year monitoring, review of future financial plans and assessment of financial risks and reserves are undertaken to ensure the financial plans are delivered. Through our review of the budget monitoring controls and Medium Term Financial Strategy and our testing of ten cost improvement schemes, we have determined that there are proper arrangements in place to ensure that resources are deployed to achieve planned and sustainable outcomes for taxpayers and local people.

Appendices

Appendix 1: Key issues and recommendations

Appendix 2: Audit differences

Appendix 3: Materiality and reporting of audit differences

Appendix 4: Independence and objectivity

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations					
❶	*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.	❷	*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.	❸	*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.

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	❶	**Transactions processed by service organisation** During our test work journal transactions, we were unable to verify segregation of duties for transactions initiated at BT relating to error corrections. This was the case for 6 of the journals we tested. During other areas of our testwork, including debtors, we noted several instances of transactions that were originally posted incorrectly by BT and detected/corrected by local finance staff. Typically, service organisations provide an assurance report on controls at the service organisation (ISAE 3402). The report would be issued by a third party and provide an assessment of the financial control environment. This was not provided (or commissioned) by BT. **Recommendation** The Council should consider how to obtain assurance over the control environment at BT. This can be achieved through the commissioning of an ISAE 3402 as noted above or specific internal audit work undertaken at BT. The resulting report should be reviewed by management and any areas for local consideration should be actioned accordingly.	The Council will investigate and consider options as to how it can obtain increased assurance over the control environment at BT. This may include an internal review of controls, an externally certified review, or a combination of both. The Council will review any findings and ensure that any areas for local consideration are actioned accordingly. **Responsible Officer:** Kevin Bartle, Director of Finance **Due date**: 31 March 2017

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	2	**Debtors controls** During our testwork over current debtors, we identified that there were a number of control deficiencies. For example, there was £3.2m of customer debt that had not moved since 2014-15 as BT had not been effectively chasing debt. We also identified that for transactions with the Tri-borough, income received was matched off against the oldest debt rather than the debt to which it related. This makes it difficult to analyse and chase bad debt effectively. **Recommendation** We understand that RBKC have begun implementing a local debt recovery team, which will help to resolve longstanding debt. However, RBKC need to identify the extent to which income has been matched to long-standing debt rather than the invoiced debt to avoid the recovery team chasing debts that the counter-party have paid.	The Council will consider the extent to which income has been matched to long-standing as opposed to invoiced debt to avoid chasing debt that has already been paid. The new Accounts Receivable team are proactively contacting debtors to pursue repayment of all outstanding debt and, as part of this work, will ensure past and future customer payments are allocated to the correct invoices. **Responsible Officer:** Kevin Bartle, Director of Finance **Due Date**: 31 March 2017

Key issues and recommendations – Pension Fund

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
3	❶	**Pension Fund membership data** Pension fund data integrity has been impacted by both the transfer of administering responsibilities from Capita to Surrey County Council (SCC), and through the introduction of a new financial ledger through the managed services program. We undertake a number of analytical procedures within the pension fund audit. As part of this, we need to gain assurance over the pension fund membership data through detailed sample testing. During our initial testing of membership data on contributions and pension benefits, we found a number of issues which required us to expand our sample in order to be able to reach an opinion on the financial statements The Council is aware of the issues encountered with the handover of data from Capita to SCC both in terms of technical difficulties and completeness/accuracy of data held; and also the lack of a direct interface between BT managed services systems and SCCs pensions administration systems. Consequently, there is a comprehensive plan to ensure all membership data is complete and accurate within the next 6-12 months. **Recommendation** Once the cleansing of membership data is complete and all parties are agreed that this is the case, RBKC should ensure that a detailed assurance exercise is undertaken. This exercise will need to be more detailed than an audit and could be externally procured or completed by Internal Audit. RBKC should also ensure that it is able to routinely reconcile appropriate information between BT managed services systems and SCCs pensions administration systems. This would provide assurance throughout the year that all contributions are being collected by RBKC and passed to the Pension Fund.	The Council will ensure that a detailed assurance exercise is put in place to tackle the historical casework backlog inherited from Capita as well as the proposals for cleansing inherited data on the pensions administration system where required. The aim will be to complete the work within a one year period starting on 1 October 2016, although it is recognised that some aspects could take longer if any complicating factors arise. The Council agrees that the reconciliation of pension contributions between BT Managed Services and the Pension Fund needs to be more robust and transparent. The Pensions and Treasury Service is leading on the review of the current processes and will put satisfactory arrangements in place before the end of the current financial year. The Council will commence a reconciliation of appropriate scheme member information between BT Managed Services and Surrey County Council before the end of the current financial year. **Responsible Officer:** Debbie Morris, Bi-Borough Director of HR **Due dates:** Reconciliation processes will be place by 31 March 2017 with the majority of the casework to be cleared by 30 September 2017

Audit differences

This appendix sets out the audit differences.

Our audit identified only minor presentational amendments.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Transparency Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities. We do not have any such misstatements to report.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

No significant audit differences have been identified from our work.

Presentational improvements

A number of minor amendments focused on presentational improvements have been made to the draft financial statements. Corporate Finance are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Materiality and reporting of audit differences

For 2015/16 our materiality is £10 million for the Authority's accounts. For the Pension Fund it is £16.5 million.

We have reported all audit differences over £500,000 for the Authority's accounts and £825,000 for the Pension Fund, to the Audit and Transparency Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- 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.
- 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 2015/16, presented to you in April 2016.

Materiality for the Authority's accounts was set at £10 million which equates to around 1.5% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit and Transparency 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 Transparency 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 £500,000 for the Authority.

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 Transparency Committee to assist it in fulfilling its governance responsibilities.

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £16.5 million which is approximately 2% percent of net investment assets.

We design our procedures to detect errors at a lower level of precision, set at £11 million for 2015/16.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 Communication of *Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit and Transparency Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

Declaration of independence and objectivity (cont.)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of the Royal Borough of Kensington and Chelsea and the Royal Borough of Kensington and Chelsea Pension Fund for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and the Royal Borough of Kensington and Chelsea and the Royal Borough of Kensington and Chelsea Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Audit Fees

Our scale fee for the audit was £121,125 plus VAT (£159,300 in 2014/15) for the accounts audit and £21,000 plus VAT (£21,000 in 2014/15) for the Pension Fund. This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in April 2016. Our scale fee for certification of grant claims for Housing Benefits is £26,170 plus VAT (£26,540 in 2014/15). Fees for other grants and claims (Teachers Pension and Pooling Capital Receipts) are £7,000 plus VAT (£7,000 in 2014/15).

Non-audit services

With the exception of the grant certification work noted above, we have not been engaged to provide any non-audit services in the year.

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