



Annual Audit Letter 2017/18

London Borough of Hammersmith and Fulham

—

August 2018

Contents

The contacts at KPMG in connection with this report are:

Andrew Sayers
Partner
KPMG LLP (UK)

Tel: 0207 694 8981
andrew.sayers@kpmg.co.uk

Jennifer Townsend
Senior Manager
KPMG LLP (UK)

Tel: 0207 311 1368
jennifer.townsend@kpmg.co.uk

Page

Report sections

— Headlines 3

Appendices

1. Summary of reports issued 6

2. Audit fees 7

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.psa.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.

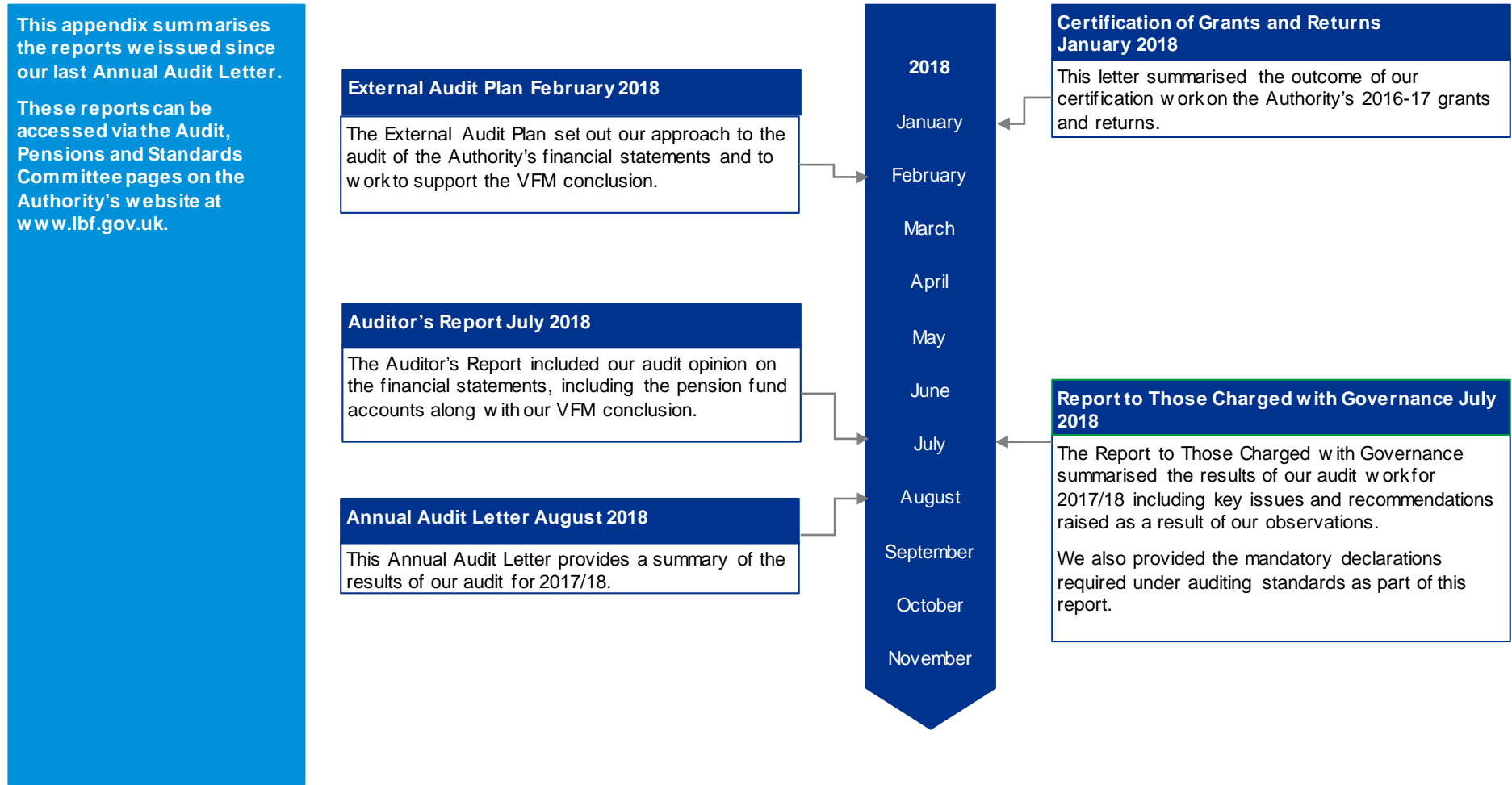
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andy Sayers, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

<p>This Annual Audit Letter summarises the outcome from our audit work at the London Borough of Hammersmith and Fulham of in relation to the 2017/18 audit year, which is the final year that KPMG is the auditor of the Authority and its Pension Fund.</p> <p>Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.</p>	<p>Audit opinion</p> <p>Financial statements audit</p> <p>Other information accompanying the financial statements</p>	<p>We issued an unqualified opinion on the Authority's financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include those of the Pension Fund.</p> <p>Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £12 million which equates to around 1.6 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £17 million which is approximately 1.7 percent of gross assets.</p> <p>We report to the Audit, Pensions and Standards Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £600,000 for the Authority and £600,000 for the Pension Fund.</p> <p>Minor presentations adjustments were identified. The largest of these related to the senior officers remuneration note where remuneration in relation election roles had been omitted from total remuneration. This was amended in the final statements.</p> <p>We received a good set of draft financial statements from the Authority.</p> <p>Our audit work was designed to specifically address the following significant risks:</p> <ul style="list-style-type: none"> — Management Override of Controls – Our review did not identify any issues in relation to this significant risk; — Valuation of dwellings and other land and buildings – Our review did not identify any issues in relation to this significant risk; — Valuation of pension assets and liabilities – Our review did not identify any issues in relation to this significant risk; — Managed services – Our review did not identify any issues in relation to this significant risk; and — Faster close – The accelerated timetable was met. <p>Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.</p>
---	--	---

<p>Pension Fund audit</p>	<p>There were no significant issues arising from our audit of the Pension Fund and we issued an unqualified opinion on the Pension Fund financial statements as part of our audit report</p> <p>Our audit work was designed to specifically address the following significant risk relating to the Pension Fund:</p> <ul style="list-style-type: none"> — Pension Fund Net Asset Statement (asset valuation) – Our review did not identify any issues in relation to this significant risk.
<p>Whole of Government Accounts</p>	<p>We are currently reviewing the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We will report on whether the Authority's pack is consistent with the audited financial statements by 31 August 2018.</p>
<p>Value for Money conclusion</p>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
<p>Value for Money risk areas</p>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion. We did not identify any significant risks, however we did identify two areas of focus in relation to the Authority's ability to deliver its medium term financial plan and contract monitoring & managed services. Our work has not identified any issues in relation to these areas.</p>
<p>High priority recommendations</p>	<p>We raised no high priority recommendations as a result of our 2017-18 work.</p>
<p>Certificate</p>	<p>At the time of issue the audit cannot be formally concluded and an audit certificate issued as we are still in the process of completing our work on the Authority's WGA consolidation pack.</p>

Audit fee	<p>Our fee for 2017-18 was £163,950, excluding VAT (2016/17: £163,950). Our fee for the audit of the Pension Fund was £21,000 excluding VAT (2016/17: £21,000).</p> <p>Our work on the certification of Housing Benefits (BEN01) is planned for September 2018. The planned scale fee for this is £23,756 excluding VAT (£23,790 in 2016/17).</p> <p>In previous years we have regularly completed audit work for Pooled housing capital receipts and Teachers pension contribution return. Our 2017/18 fees will be £3,500 for Pooled housing capital receipts and £3,750 for Teachers pension contribution (same as PY).</p>
Exercising of audit powers	<p>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.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2017/18 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2017/18 planned audit fee.

External audit

Our final fee for the 2017/18 audit of the Authority was £163,950, which is in line with the planned fee.

Our final fee for the 2017/18 audit of the Pension Fund was in line with the planned fee of £21,000.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2019.

Subsidiary audit

Annually, we perform the audit of the Wormwood scrubs subsidiary. In 2017/18 the fee is £9,900. This work is on-going.

Other services

We did not charge any additional fees for other services.



kpmg.com/socialmedia



kpmg.com/app

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

KPMG LLP is multi-disciplinary practice authorised and regulated by the Solicitors Regulation Authority. For full details of our professional regulation please refer to 'Regulatory Information' at www.kpmg.com/uk

The KPMG name and logo are registered trademarks or trademarks of KPMG International.