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Brent

Audit and Standards Committee

Thursday 12 October 2023 on the rising of the Audit & Standards Advisory Committee.

Conference Hall - Brent Civic Centre, Engineers Way, Wembley, HA9 0FJ

Please note that this meeting will be held as an in person physical meeting with all Committee members required to attend in person.

The meeting will be open for the press and public to attend or alternatively can be followed via the live webcast. The link to follow proceedings via the live webcast is available HERE

Membership:

Members	Substitute Members
Councillors:	Councillors:
Chan (Chair)	Afzal, Agha, Begum, Gbajumo, Molloy and Shah
S Butt	
Choudry	Councillors:
Kabir	Kansagra and Mistry
Long	
J.Patel	
Smith	

For further information contact: Natalie Connor, Governance Officer
Tel: 020 8937 1506; Email: Natalie.Connor@brent.gov.uk

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Council meetings and decision making | Brent Council

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Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

(a) **Employment, etc. -** Any employment, office, trade, profession or vocation carried on for profit gain.

(b) **Sponsorship -** Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.

(c) **Contracts -** Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.

(d) **Land -** Any beneficial interest in land which is within the council's area.

(e) **Licences-** Any licence to occupy land in the council's area for a month or longer.

(f) **Corporate tenancies -** Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.

(g) **Securities -** Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

(a) Anybody of which you are a member or in a position of general control or management, and:

- To which you are appointed by the council;
- which exercises functions of a public nature;
- which is directed is to charitable purposes;
- whose principal purposes include the influence of public opinion or policy (including a political party of trade union).

(b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

Agenda

Introductions, if appropriate.

Item Page

1 Apologies for absence and clarification of alternate members

2 Declarations of Interest

Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.

3 Deputations (if any)

To hear any deputations received from members of the public in accordance with Standing Order 67.

4 Brent Council Statement of Accounts/Audit Findings Report 2022/23 1 - 148

To receive and review the London Borough of Brent and London Borough of Brent Pension Fund Audit Findings Report for 2022/23 following its consideration at the preceding Audit & Standards Advisory Committee.

*The agenda was re-published on 10 October 2023 to include the updated Audit Findings Report and Annual Auditors Report.

Please remember to ***SWITCH OFF*** your mobile phone during the meeting. The meeting room is accessible by lift and seats will be provided for members of the public. Alternatively, it will be possible to follow proceedings via the live webcast HERE

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Brent	**Audit and Standards Committee** 12 October 2023
	Report from the Corporate Director of Finance & Resources
	Lead Cabinet Member – Deputy Leader and Cabinet Member for Finance, Resources & Reform

Statement of Accounts 2022/23

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Three: Appendix A – Draft LB Brent Audit Findings Report Appendix B – Draft LB Brent Pension Fund Audit Findings Report Appendix C – LB Brent Value for Money Report
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director of Finance & Resources Minesh.Patel@Brent.gov.uk 020 8937 4043 Ben Ainsworth, Head of Finance Ben.Ainsworth@Brent.gov.uk 020 8937 1731

1.0 Executive Summary

1.1. The Audit Findings Reports for the Statement of Accounts and the Value for Money Report have now been updated, further update will be provided by the auditors at the meeting. There is an ongoing review of three objections to the accounts, which is not material to the accounts, and therefore does not prevent the accounts being signed. Audit and Standards Committee needs to review final Audit Findings Reports and determine whether to authorise the chair to approve the Statement of Accounts.

2.0 Recommendation(s)

- To approve the final statement of accounts 2022/23, subject to no material changes being required by the auditors.

- To authorise the Chair of the committee to sign the final statement of accounts 2022/23, subject to no material changes being required by the auditors.

- To note the findings of the Audit Findings Reports.

- To note the findings of the Value for Money Report.

3.0 Detail

Contribution to Borough Plan Priorities and Strategic Context

3.1 The statement of accounts is the formal audited accounts of the Council. The purpose of the statement of accounts is to give clear information on the Council's overall finances and demonstrate stewardship of public money for the year. Being able to independently demonstrate that the Council's financial affairs are sound, will ensure the Council can achieve its Borough Plan priorities and objectives.

Statement of Accounts

3.2 The draft Audit Findings Reports for the Statement of Accounts were presented to the Audit and Standards Advisory Committee in September. The audit is now essentially complete, and further draft Audit Findings Reports for the Statement of Accounts have been issued.

3.3 These contain a small number of immaterial adjustments that have been found after the draft Audit Findings Reports had been written. These do not change the overall financial position of the council. Members should note that the draft audit findings report was presented to the committee in September and any changes to the report being presented in October have been highlighted in red for ease of reference.

3.4 The auditors work is substantially complete and there are no matters of which they are aware of that would require modification of the audit opinion. The matters outstanding contained in the AFR are trivial and the auditors will provide a verbal update on the day of the committee meeting on the progress towards completing the audit.

3.5 The auditor's review of the objections made to the 2022/23 accounts (covered in the September 2023 report) is ongoing, the council has now received legal advice that this income is not unlawful. As the amount of income objected to is not material to the 2022/23 accounts these objections do not prevent the accounts being signed off by either the council or the auditors, but they do prevent the final certification of the accounts by the auditors.

Value for Money Report

3.6 Appendix C sets out the Value for Money (VFM) report from Grant Thornton. As part of the auditors work, no significant weaknesses were identified in the Council's VFM arrangements and only improvement recommendations have been provided. In summary there are five Financial Sustainability recommendations, four Governance recommendations and three economy, efficiency and effectiveness recommendations. All recommendations have been accepted and management responses provided.

3.7 As part of the VFM arrangements, the report is expected to be issued to all members. Therefore, it is proposed that the report is presented to Full Council in February 2024, alongside the 2024/25 budget. As there are no statutory recommendations arising, no formal response is required.

4.0 Stakeholder and ward member consultation and engagement

4.1 There are no direct considerations arising out of this report.

5.0 Financial Considerations

5.1 There are no direct considerations arising out of this report.

6.0 Legal Considerations

6.1 There are no direct considerations arising out of this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are no equality considerations arising out of this report.

8.0 Climate Change and Environmental Considerations

8.1 There are no climate change or environmental considerations arising out of this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are no HR or property considerations arising out this report.

10.0 Communication Considerations

10.1 There are no communication considerations arising out of this report.

<u>Report sign off:</u>

Minesh Patel
Corporate Director of Finance and Resources

Grant Thornton

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

The Audit Findings for London Borough of Brent

Year ended 31 March 2023

Contents

Your key Grant Thornton team members are:

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Firm:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Standards Committee.

[Insert Key Audit Partner Signature]

Name: Ciaran Mclaughlin
For Grant Thornton UK LLP
Date:

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Brent ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 4 to 32. We have identified 1 adjustment to the financial statements that have resulted in £2.6m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

Completion of the following areas

- HRA and General Fund revaluations work;

Receipt of the following

- Responses from the Bevan Brittain Solicitors
- management representation letter
- Subsequent event confirmation; and
- Review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is ongoing. Our aim is to have the VFM work completed by the time we issue the opinion. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR).

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

As stated on slide 3, our VFM work is ongoing, and we hope to have the work completed by the time we issue our audit opinion. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness from the work which have done to date. Our detailed commentary will be set out in the separate Auditor's Annual Report, which will be presented to the Audit and Standards Committee following the completion of our VFM work.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

During our testing of debtors, the Council struggled to provide us with a report to support the housing benefit overpayment debtor balance reported in the accounts. The Council obtained a report as at 26 June 2023 and made some adjustments to obtain the balance at 31 March 2023. Our testing of housing benefit identified an error and as a result we carried out additional procedures to get assurance over the balance reported at the year end. It is worth pointing out that the Council does not have the ability to obtain the information itself and relies upon obtaining a response from a third-party provider (Northgate) to get the information in the housing benefit debtor report.

We identified during our journal testing that the Council posted council tax direct debits from April to October all in November. This resulted in the journal listing not being exported correctly from the Council to us and we had to get our digital audit team to assist with exporting the data in the correct format. This delayed our journal testing and we had to carry out additional procedures to get assurance over the journals posted in November 2022. We have raised control points for both matters in the action plan at Appendix B.

Our work on finance and operating leases also took longer to complete than budgeted due to the errors which we identified. The findings have been detailed in Appendix C. Similarly, the Council struggled to provide us with a change in circumstance listing as part of our payroll related work. This also resulted in us taking longer time than initially planned to complete this work.

We have shown the additional fees resulting from the above delays at Appendix E

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

National context – level of borrowing

Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council's external borrowing increased by £92.5m to £781.0m in 22/23 compared with £688.5m in 2021/22. The extra borrowing is required to fund the Council's growing Capital Programme not already funded through grants, contributions and reserves. The Council's borrowing includes PWLB (Public Works Loan Board) loans, LOBO, Fixed Rate loans, and short-term loans with other councils. Most of the Council's long-term borrowing (£529.8) is with PWLB and most of its short-term borrowing (£70m) are with other local authorities. The base rate rises seen throughout the year to curb inflation have resulted in a rise in new long-term and short-term borrowing costs which the Council has partially offset with an increase in short term investment income. The base rate peak during the year was higher than the Council anticipated at budget setting. As a result, the Council reviewed its minimum revenue provision (the revenue charge to cover the repayment of borrowing) which led to an additional charge in year for the Council's supported borrowing portfolio and a resulting drawdown from the capital financing reserve.

For projects within the existing capital programme and future plans, rising interest rates alongside significant cost inflation are applying additional pressure on the viability of projects which has led to a number of schemes being paused during the year to ensure capital plans and the associated borrowing are prudent and affordable. The Council sets limits as part of the Treasury Management Strategy to manage interest rate and refinancing risk which aim to limit this exposure. The Council's borrowing portfolio has a high proportion of long-term debt which helps mitigate against the current rise in interest rates. The Council's Treasury Management activities aren't predicated on any one outcome of interest rate movement, the Council meets regularly with its Treasury Management advisors to explore the most appropriate steps to manage the Council's cash flow requirements and potential implications for the capital financing budget.

1. Headlines

National context – level of borrowing - continued

The Council undertakes due diligence on counterparties within the credit quality limits agreed in the Treasury Management Strategy prior to undertaking any treasury management activities. During 2022/23 the Council made investments with highly liquid and diversified money market funds and deposits with Central Government who have the highest credit quality. The Councils new investments made for service purposes were limited to the investment made in the Council's wholly owned subsidiary i4B Holdings Ltd who used the funds to acquire properties which form the security on the loan. The Council adopted a security prudential indicator as part of the Treasury Management Strategy to provide a minimum credit quality for any investments made to limit the risk of exposure to default. In line with IFRS 9 the Council makes an assessment for expected credit losses for any investments made and no significant movements in credit risk were identified.

Local Context – Audit Liaison

We would like to thank everyone at the Council for their support in working with us to provide responses to our audit queries in a timely manner. The Council team worked constructively with the audit team to ensure that audit evidence requested were provided on time and of sufficient quality in most cases. There was clear and open communication between the audit team and the Council officers which ensured that the audit process went smoothly. The audit team provided the Council with specific areas which they needed to focus on providing responses to every week. This ensured that the Council was able to provide evidence in a timely manner and the audit did not fall behind. Changes to the Council's arrangements for responding to audit queries have had a really positive impact.

As noted on page 4 there were a small number of areas where the Council struggled to provide us with what we had requested. Management took action on how to resolve the issues.

Overall, the Council officers and the audit team worked well together to keep the audit on track and resolve issues which came up during the audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that analytical reviews were required for each component; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 26 September 2023. These outstanding items are detailed on page 3.

Acknowledgements

During the audit both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e., remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity.

We would like to thank everyone at the Council for their support in working with us to provide responses to our audit queries in a timely manner.

As documented on slide 4 , we the Council struggled to provide us with a report for Housing benefit overpayment debtors. In addition, we identified an error from our testing And had to carry out additional audit procedures.

The journal listing provided by the Council did not export in the correct format due to the large volume of journals posted in November. As a result , we had to get our digital audit team to assist to resolve the issue and carry out additional procedures.

We identified errors in our testing of the accruals balance. This also resulted in us carrying out additional work

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 18 July 2023. We set out in this table our determination of materiality for London Borough of Brent and group.

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	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,610,000	16,600,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was used in the prior year also. We considered 1.5% to be an appropriate rate to apply to the gross expenditure to calculate the materiality
Performance materiality	11,627,000	11,620,000	Performance Materiality is based on a percentage (70%) of the overall materiality. We have set performance materiality lower than the standard 75% as there were both material and non-material audit adjustments in the prior year due to errors which we identified. A lower performance materiality ensures that more balances will be tested.
Trivial matters	830,500	830,000	This balance is set 5% of the overall materiality.
Materiality for Senior Officers remuneration	N/A	N/A	Senior officer remuneration are areas of interest to readers of financial statements with the salaries of senior officers sometimes the subject of adverse publicity. Judgement is required as to what level of error within the disclosures made would result in us qualifying our opinion . We will review all the senior officer's remuneration disclosures as they are sensitive by nature.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • reviewed and tested transfers between the General Fund and HRA and inter group journals During our work on journals we have noted the following points: The Council posted approximately 25,000 journals with a value of £22 billion during the year. A total of 37 employees can raise a journal, and 22 employees can approve a journal. The number of people who can process journals increases with Oracle (system support) users who can post journals when support is needed. Both the number and value of journals processed remains high and there are a large number of individuals capable of processing journals. This introduces inherent risk of both fraud and error with large numbers being involved and inevitably introduces a level of inefficiency in the Council's operation of its finance system. We observed the download of the GL for each month and the size of the November GL was considerably larger than the other months. This caused issues such as having non balanced journals, and delays with the extraction of the journals to the extent that our Digital Team had to assist with. The reason for high number of journals was caused by the Council Tax direct debit journals for April up to October were all created in November. We recommend that the Council creates these entries as close to the month they relate to as possible prevent this issue in following years. We have raised control points for the above issues on the action plan at Appendix B.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
The revenue cycle includes fraudulent transactions (rebutted)	We rebutted the presumed risk of fraud in revenue, and such there is no specific work planned for this risk. There are no changes to our assessment reported in the audit plan. In order to get assurance over revenue, we have ; • selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy and occurrence, and completeness • inspected transactions which occurred in the year and ensured that they have been included in the correct year. • confirmed our understanding of the business process and determined if there were any relevant controls. Our work on revenues is substantially complete subject to management review. Our work to date has not identified any issues other than a misclassification of a grant of £6.1m as a ring-fenced grant instead of a non-ring-fenced grant. We have recorded this error under the adjusted misclassification/ disclosure error schedule at Appendix D.	Council

Valuation of land and buildings
The council re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size and numbers involved (£1,097.8m) as at 31st March 2023 and the sensitivity of the estimate to key changes in assumptions.
Additionally, management needs to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work.
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	  • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	  • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the Valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	We noted that the assets were valued as at 01 April 2022 and management applied indexation to estimate the values as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.
	Our audit work on Valuation of land and building is still in progress. Our work to date has not identified any matters which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.
		Council

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group

Valuation of Council Dwellings
 	
The Council owns 8220 dwellings as 31 March 2023, and it is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar types.
 	
The Council performed a full revaluation of its properties in the prior year. For 2022/23, the Council engaged the Valuer (Wilks, Head and Eve) to perform a market review from 01 April 2022 to 31 March 2023. The Council used the indexes in the market review report to carry out indexation on the full council dwelling properties from 01 April 2022 to 31 March 2023. The valuation of the properties after indexation for 22/23 is £827.8m. This represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions.
 	
We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate;
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	    • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	We noted that management applied indexation to the full Council Dwellings for the period 01 April 2022 to 31 March 2023 to estimate the value of the properties as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.
	Our audit work on Valuation of Council Dwellings is still in progress. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.
		Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of pension fund net liability The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£262m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the process and controls put in place by management to ensure that the council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • assessed the competence, capabilities, and objectivity of the actuary who carried out the council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • tested the consistency of the pension fund asset and liability and disclosure in the note to the core financial statement with the actuarial report from the actuary. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedure suggested within the report. We have noted an error where the "other experience of" amount £53.2m was not disclosed in the draft accounts, however, the total net pension fund liability was disclosed correctly. We have recorded this error under the adjusted misclassification/ disclosure error schedule at Appendix D. Our work is substantially complete. We have nothing to bring to the attention of the Audit and Standards Committee.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Fraud in expenditure recognition (Completeness of Non-Pay expenditure) In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.	We have : • Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compared size and nature of accruals at year to the prior year to help ensure completeness. • Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. • Evaluated the accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set, • Gained an understanding of your system for accounting for non-pay expenditure and evaluated the design of the associated controls, • obtained and tested a listing of non-pay payments made in April and May 2023 to ensure that they have been charged to the appropriate year. Our audit work has not identified any issues in respect of the completeness of non-pay expenditure.	Council

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2023, the net book value of infrastructure assets was £253m which is a significant multiple of materiality. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: 1.The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. 2.The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. These two risks have not been assessed as significant risks but we have assessed that there is some risk of material misstatement that requires an audit response.	We have: • reconciled the fixed asset register to the financial statements • used our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets • obtained assurance that the UEL applied to Infrastructure assets is reasonable • documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated Our work on infrastructure assets is complete. We noted from our work that the Council has changed the UEL applied to infrastructure assets this year, from 21/22 (50 years) to 22/23 (25 years). The revised UEL is in line with the CIPFA guidance. We have evaluated the competence, capabilities and objectivity of any management expert relied upon by the Council to provide the UEL's and found them to be satisfactory. The change in UEL does not represent a change in accounting policy but is a change in accounting estimate. This is in line with 22-23 CIPFA Code. There does not need to be a restatement and the change is applied prospectively. Therefore, we are satisfied with the treatment applied by the Council. We have nothing further to bring to the attention of the Audit and Standards Committee in respect of the value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note.	Council

2. Financial Statements - Observations in respect of other risks (continued)

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
Cyber Security The London Borough of Brent is part of the Shared Technology Services (STS) which is a shared IT service for the councils of Brent, Lewisham and Southwark. The Council is the host borough for the service. We note that STS have a cyber security strategy in place covering cyber risk from 2021 to 2024.	1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'. High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.	**Auditor view** We recommend that the Council as a host continues to proactively looks at its cyber preparedness and puts in place appropriate policies/safeguards. **Management response** Noted
Debt levels We note the Council external borrowing increased by £92.5m to £781.0m in 22/23 compared with £688.5m in 2021/22. The extra borrowing is required to fund the Council's growing Capital Programme not already funded through grants, contributions and reserves.	The Council's borrowing includes PWLB (Public Works Loan Board) loans, LOBO, fixed rate loans, and short-term loans with other councils. Most of the Council's long-term borrowing (£529.8 out of £781m) is with PWLB and most of its short-term borrowing (£70m) are with other local authorities. The base rate rises seen throughout the year to curb inflation have resulted in a rise in new long-term and short-term borrowing costs which the Council has partially offset with an increase in short term investment income. The Council's borrowing portfolio has a high proportion of long-term debt which helps mitigate against the current rise in interest rates.	**Auditor view** We recommend that the Council proactively considers its debt levels and undertakes stress testing to consider the implications of continued high interest rates. **Management response** The Council sets limits as part of the Treasury Management Strategy to manage interest rate and refinancing risk which aim to limit this exposure to borrowing. The Council undertakes due diligence on counterparties within the credit quality limits agreed in the Treasury Management Strategy prior to undertaking any treasury management activities. During 2022/23 the Council made investments with highly liquid and diversified money market funds and deposits with Central Government who have the highest credit quality. The Councils new investments made for service purposes were limited to the investment made in the Council's wholly owned subsidiary i4B Holdings Ltd who used the funds to acquire properties which form the security on the loan.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud to support the financial statement audit of the London Borough of Brent and its subsidiaries for year ended 31 March 2023. The overall rating was significant deficiencies in the IT controls relevant to the financial statements.	The IT Audit team have; • evaluated the design and implementation effectiveness for security management, change management and batch scheduling controls; • performed high level walkthroughs, inspected supporting documentation and analysed configurable controls in the above areas; • completed a detailed technical review of Oracle Cloud as relevant to the financial statements audit; and • documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary. The IT audit work identified 2 significant deficiencies, 1 deficiency and 1 improvement opportunity . The significant deficiencies identified are: • segregation of duties conflicts between finance / payroll and system administration roles in Oracle Cloud. • Excessive access assigned to HR and Payroll users. We have detailed the findings from the IT audit and recommendations made by the IT audit team on the action plan at Appendix B.	We have considered the findings by the IT audit team and factored procedures in our journal testing to check if any of the deficiencies identified had any impact on the audit. We did not identify any issues which showed that the IT deficiencies have any impact on journals posted or on the financial statements. Management has provided responses to the recommendations made by the IT audit team for each of the deficiencies. We have recorded the management responses against the control points which we have raised for the deficiencies on the action plan at Appendix C

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,097.8m	Other land and buildings comprises £795.8m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£302m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 01 April 2022 on a five yearly cyclical basis. 35% of total assets were revalued during 2022/23. The assets which were not revalued were indexed from their last valuation date to 31 March 2023. The assets which were revalued as at 01 April 2022 were also indexed to the year end. Management has not documented consideration of alternatives estimates for the valuation of its land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected given the Council's estate. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 01 April 2022, based on the market review provided by the valuer as at 31 March 2023, to determine whether there has been a change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the property's value . The total year end valuation of land and buildings was £1,097.8m, a net decrease of £11.9m from 2021/22 (£1,109.7m).	The Council's valuer (Wilks Head & Eve) carried out a formal revaluation as at 01 April 2022. The Councill has engaged its valuer to certify its indexation of land and building to 31 March 2023. We have assessed the valuer to be competent, independent and capable. Our work on this estimate includes: • checking the completeness and accuracy of the underlying information used to determine the valuation of land buildings. • engaging our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • reviewing the consistency of estimates against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • checking the reasonableness of the net increase in the valuation of land and buildings • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our work in relation to this key estimate – Valuation of Land and Building is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation – Council Houses- £827.8m	The Council owns 8,220 dwellings as at 31 March 2023 and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council conducted full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. Para 4.1.2.38 of CIPFA Code of Practice on Local Accounting 22-23 states that 'a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within intervals of no more than five years. The current value of land and buildings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers.' The Council has performed a full indexation of council dwelling properties from 01 April 2022 to 31 March 2023. The Council engaged Wilks Head & Eve to certify the indexation process used to value these properties as at 31 March 2023. The year end valuation of Council Housing was £827.8m, a net increase of £43.8m from 2021/22 (£784m). . The Code does not permit the use of indices as a means to adjust the carrying amount of asset, however the use of a professionally qualified valuer to certify the indexation within a short period (less than 5 years) is acceptable.	We have: • assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. • checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • checked the reasonableness of the net in the valuation of council dwellings. • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Council Dwellings is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Private Finance Initiative Assets - £94.7m	The Council has entered into three PFI projects which have generated assets to be used by the Council. These are; • A 25 year project to provide, operate and maintain a sports centre and related facilities in Wilsden with the legal title transferring to the Council at the end of the contract. • A 20 year contract for the provision and maintenance of social housing, and replacement residential facilities for people with learning disabilities. The legal title transfers to the council at the end of the contract. The council also controls the residual value of 158 units of housing stock within this contract as it has guaranteed nomination rights. • Provision and maintenance of social housing within Stonebridge. The inclusion of the block or flats within this contract was determined by a tenant's vote at the start of the contract. In 22/23, the Council has performed an indexation to estimate the value of the PFI assets using a market review report from the valuer (WHE). The Council has engaged the valuer to certify the indexation process as at 31 March 2023. The year end valuation of the Council's PFI assets recognised on the balance sheet was £94.7m, a net increase of £10m from 21/22 (£84.7m)	We have; • Assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • Checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • Checked the reasonableness of the net in the valuation of council dwellings. • Checked the adequacy of disclosure of estimate in the financial statements Our work in relation to Valuation of PFI assets is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £262m	The Council's net pension liability at 31 March 2023 is £262m (PY £722m) comprising the London Borough of Brent Local Government and unfunded defined benefit pension scheme obligations The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £460m net actuarial gain during 2022/23.	• We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective. • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 21/22 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.75%	4.75%	●
Pension increase rate	3.00%	Adjusted 2.95-3.00%	●
Salary growth	3.30%	2.95%-3.95%	●
Life expectancy – Males currently aged 45/65	Pensioners:22 years Future pensioners:23 years With a long term rate of improvement of 1.5% pa	Figures within the IAS19 results schedule may now show individual employer level life expectancies. As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.	Comparison cannot be made
Life expectancy – Females currently aged 45/65	Pensioners: 24.7 years Future pensioners:25.9 years With a long term rate of improvement of 1.5% pa		Comparison cannot be made

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability (continued)		• We have checked the completeness and accuracy of the underlying information used to determine the net pension liability • We have confirmed there were no changes to valuation method • We have confirmed the reasonableness of the Council's share of LPS pension assets. • We have checked the reasonableness of the decrease in the net pension liability • We have checked the adequacy of disclosure of the net pension liabilities in the financial statements. We have completed our work on Net Pension Liability. We have nothing to report to the Audit and Standards Committee.	

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £743m	Management's policy states that grants are recognised as due to the authority when there is reasonable assurance that the authority will comply with the conditions attached to the payments, and the grants or contributions will be received. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received. The Council has acted as the principal and credited such grants, contributions and donations to the Comprehensive Income and Expenditure Statement for the following grants: • DWP - Housing Benefit • DfE/ESFA – Dedicated Schools Grant • Business Rate Relief S31 Grant • DCLG - Revenue Support Grant • DCLG - Adult Social Care Support Grant • Adult social Care Improved Better Care Fund • DCLG - Revenue Support Grant • DCLG - New Homes Bonus • Home Office - Homes for Ukraine Scheme • Council Tax Admin Grant • Sales Fees and Charges Grant • Disabled Facilities Grant	Work performed during our audit covered the following: • review of management's judgement of whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all. • check of completeness and accuracy of the underlying information used to determine whether there are conditions outstanding that would determine whether the grant be recognised as a receipt in advance or income • the Impact for grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • review of adequacy of disclosure of management's policy around recognition of grant income in the financial statements From our testing of grants, we identified that one sample with a balance of £6.1m (a service grant) has been misclassified as a ringfenced grant instead of non-ringfenced grant. We reviewed the remaining grants to ensure that there no other grants which have been misclassified. This has been recorded as an adjusted error under misclassification and disclosure misstatements at Appendix D Our work on grants is substantially complete subject to review. At this stage, we have nothing to bring to the attention of the Audit and Standards Committee apart from the above issue.	Light Purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstate
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £743m - Continued	The Council recognised the following grants as agency transactions: • Adult Social Care Covid - 19 Infection Control Funding • Adult Social Care Support Grant • BEIS - Restart Grant • DLUHC - Council Tax Energy Bill Rebate – Mandatory • Energy Bills Support Scheme Alternative Funding • Adult Social Care Rapid Testing Fund The Authority has received a grant that have yet to be recognized as income as they have conditions attached to them that will require the monies to be returned to the giver. The balance at the year-end was £1.4m (£9.6m in 21/22)		Light purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstate
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
PFI provision - £15.8m	In 22/23 , there was an in-year difference on the Brent Co-Efficient PFI between the rent collected and the government PFI grant received, versus the unitary payments and base revenue costs. The difference amounted to £3.5m, which was released from the provision set aside for this purpose (a reduction in the provision). Additionally, there was an indication that a provision required for the end of 28/29 contract life needs to be increased by £2m and an additional drawdown of 0.2m to cover overspend on the general fund. This resulted in a net reduction of £1.7m in the PFI provision from 21/22 (£17.6m)	• The draft financial statements includes an accounting policy for provisions and PFI schemes. • The disclosure of the PFI provision within the financial statement is adequate. • Our review of the PFI provision calculation confirms that appropriate information has been used to determine the estimate and we deem the estimate to be reasonable. We identified from our audit work that the long-term PFI provision in the PFI model did not agree with the long-term PFI provisions in the accounts. We challenged management and they explained that the wrong closing value for long term PFI provisions was recorded on the model, this is because the TB used in the model had the wrong value due to an adjustment for the provision which was completed in period 13. We have liaised with our PFI modelling experts, who have confirmed that this is a closing balance adjustment and therefore no further work is needed. We also identified that, the unitary payments for PFI have been incorrectly recorded on the PFI model even though the actual unitary payment in the accounts is correct for the year as this is based on the actual accommodation rates. We liaised with our PFI modelling experts who concluded that the model does not need to be re-examined given the assurance we have over the figures in the accounts. We have raised a control points for the two matters above for multiple revies of the PFI model to ensure consistency of the model with the accounts at appendix B.	Light Purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £22.7m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £22.7m, a net increase of £10.4m from 2021/22. There is a retrospective charge of £7.0m in this year.	Whilst we are satisfied that the Council has approved its MRP through appropriate governance structure, the Council will need to ensure that the MRP continues to be adequate in the context of the increased borrowing. We have carried out the following work: • confirmed MRP has been calculated in line with the statutory guidance • confirmed the Council's policy on MRP complies with statutory guidance. • assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council. • analysed the Council's MRP percentage against total external debt held by the Council. This shows that the Council's MRP percentage against total external debt is 2.91% (1.8% in 2021/22). The increase is due to retrospective charge of £7m due to a review of the useful economic lives of asset which has resulted in outstanding principal being paid over the course of 49 years rather than the previous 100 years' time frame. The MRP percentage is 1.99% without the addition of retrospective charge . This is an increase on last year's percentage of 1.81%. This is now in line with the standard rate of 2%. We have noted that in the draft account the retrospective charge is stated as £7.5m instead of 7m. This has been recorded under misclassification and disclosure misstatements at Appendix D and it will be amended. Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle	ITGC assessment (design and implementation effectiveness only)	●	●	● Not covered as there has been no acquisition of this IT system in the current year. There is no impact on our audit because of this control not being tested.	● Not covered as there has been no batch scheduling for IT to test. There is no impact on our audit because of this control not being tested.	Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

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			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Asset Management	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	We could not test this as no batch scheduling and execution has been made.	Valuation of Other Land and Building Valuation of HRA	No additional procedures as there are no risks arising from our findings
PAY 360	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	N/A as the System is for collection of financial information from external systems not for modifying, transmitting information or processing the data.	Does not relate to a significant Risk. It relates to Cash	No additional procedures as there are no risks arising from our findings

Assessment

- ● (red) Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● (amber) Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● (green) IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● (grey) Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
During our testing of housing benefit debtors, the Council provided us with a report as at 26th June 2023 from which they removed unrecoverable debt and debtors raised in between 1st April 2024 and 26th June 2023 to get the housing benefit debtor balance at 31 March 2023. The Council struggled to provide us with the report as it has to rely on a third-party provider (Northgate) to be able to get the information in the report. We also identified 1 error from the 6 samples which we tested initially. This brought the reliability of the report into question. We had discussion with management and challenged them on how they have assurance over housing benefit debtor balance in the accounts. We challenged management particularly on which transactions they have received payment for between 31 March 2023 and 26 June 2023. Management provided us which a listing to support the adjustments which they have made to the report produced on 26 June 2023 to get to the balance as at 31 March 2023	Giving the issues with the listing and the error which we identified in the initial samples selected for testing, we picked up an additional 12 samples to test. We carried out further procedures such as testing the validity of the items within the adjustments made between the report produced as at 26 June 2023 and that as at 31 March 2023. .	Management need to ensure that they can produce a reliable report to support the balance for housing benefit overpayment debtors at the year-end without having to adjust reports obtained after the year end to get to the year-end balance. Once our work is completed, we will update management of our findings . We have raised a significant deficiency based on the work which we have carried out to date on the action plan at Appendix B. **Management response** The council has engaged the supplier of this system to provide a health check to verify that the correct procedures and reports are being used.

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Standard Advisory Committee papers. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for Valuation of land and buildings, Valuation of Council dwellings, Valuation of PFI assets, Valuation of Net Pension Liabilities, Minimum revenue provision and PFI provisions.
Audit evidence and explanations	Our work is ongoing; however, we have obtained all information and explanations requested from management to date.

2. Financial Statements: other communication requirements

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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All requests were returned with positive confirmation. We requested management to send letters to those solicitors who worked with the Group during the year. We have requested management to follow up the outstanding responses. We now have one response outstanding from Bevan Brittain.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management is being provided in a prompt manner. The Council struggled to provide us with housing benefit debtor report. The council admitted that this was a high-risk area in that the reports that the service had been using in previous years did not work in the current year. The Council have had to do substantial work to review and address reconciliation reports to get to a number that can be reported as at 31 March 2023. We communicated this to the Council during the audit as detailed on page 27 We have also raised a control point for this on the action plan at Appendix B. We identified during our journal testing that the Council posted council tax direct debits from April to October all in November. This resulted in the journal listing not being exported correctly from the Council to us and we had to get our digital audit team to assist with exporting the data in the correct format. This delayed our journal testing and we had to carry out additional procedures to get assurance over the journals posted in November. We have also raised a control point for this on the action plan at Appendix B. Our work on finance and operating leases also took longer to complete than budgeted for due to the errors which we identified. The findings have been detailed in Appendix C. Similarly, the Council struggled to provide us with change in circumstance listing. This also resulted in us taking longer time than initially planned to complete this work. We have detailed the extra fees resulting from the above delays at Appendix E.

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

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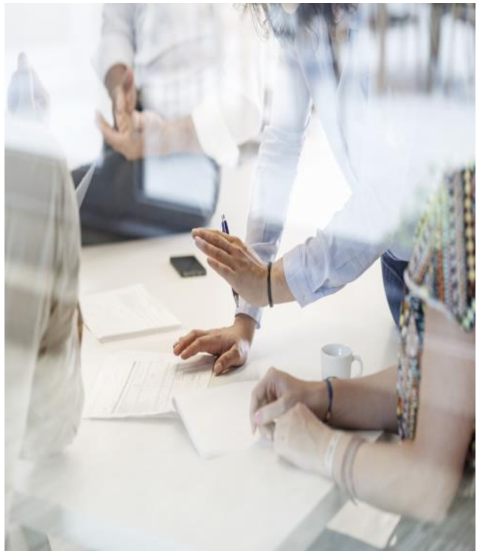
Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work on other information is ongoing. We will update the committee once we have completed our work.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of the London Borough of Brent in the audit report due to objections received from 3 local electors in relation to bus lane fines collected.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

Our work on VFM is underway and we aim to have the work completed by the time we issue ouraudit opinion. We will set out a detailed commentary on the findings of our VFM work in a separate Auditor's Annual Report which will be presented to the Audit and Standards Committee.

As part of our work, we have considered whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work to date has not identified any risks of significant weakness in the Council's VFM arrangements. We will update the Audit and Standards Committee following the completion of our work.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No non-audit services were identified which were charged from the beginning of the financial year to September 2023,, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	10,000	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review because GT provides audit services	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers' Pension Return	7,500	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review because GT provides audit services	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	27,000 plus day rate for additional work required.	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,000 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 11 recommendations for the London Borough of Brent as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	During our testing of housing benefit debtors, the Council provided us with a report as at 26th June 2023 from which they removed unrecoverable debt and debtors raised between 1st April 2024 and 26th June 2023 to get the housing benefit debtor balance at 31 March 2023. The Council struggled to provide us with the report as it has to rely on a third party to get the information the report. We also identified 1 error from the 6 samples which we tested initially. This brought the reliability of the report into question.	Management need to ensure that they can produce a reliable report to support the balance for housing benefit overpayment debtors at the year-end without having to adjust reports obtained after the year end to get to the year-end balance. The Council may need to work better with the third-party provider to achieve this or find alternative ways to ensure that a reliable report is available to support the year end housing benefit debtor balance. **Management response** The council has engaged the supplier of this system to provide a health check to verify that the correct procedures and reports are being used.
High	**Segregation of duties (SoD) conflicts between finance / payroll and system administration roles in Oracle Cloud.** IT Audit's identified that a Senior Finance Analyst had access to the Application Implementation Consultant role **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters	It is recommended that the Council undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities **Management response** This was removed and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

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Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan - Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**Excessive access assigned to HR and Payroll users.** IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role The Council informed our IT team that the role is required to enable system configuration to be undertaken as part of this team, such as for pay awards and performance enrolments. The Brent HCM Application Administrator role provides these individuals with significant levels of access, enabling them to alter system behaviour and create workers in Oracle Cloud **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters	It is recommended that the Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required. **Management response** The Brent HCM Application Administrator role has now been removed from the Payroll, Learning and Development, and Training teams and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

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Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	From our journal testing, we identified that a significant number and value of journals are processed by a relatively high number of users (60 users) during the year. This represents an enhanced risk of error and fraud. It also indicates an inefficiency in the Council's processes around processing financial transactions.	We recommend the Council review the number of people who can process journals with the aim of reducing them and also reduce the risk of subsequent manipulation through journal transactions. **Management response** This will be reviewed in 2023-24.
Medium	From our accruals testing, we identified 3 errors initially, (one of the errors was from and 2 errors were from Wates construction limited). We tested 5 more accruals from Wates construction and we identified 2 more errors. We extrapolated the 5 errors (£256k) across the accrual population, and we got an extrapolated error of £1.29m as we have recorded as an unadjusted error at Appendix D. The five accruals we processed by different people. Although we have satisfied that the accruals balance for the current year is not materially misstated, the Council needs to ensure that accruals are based on the best available and reliable information to avoid a material misstatement in the future.	We recommend management to have accrual based is based on the best information possible such as invoice, prior period details or purchase order so that the accruals made at the year-end are materially accurate. **Management response** We will be looking to improve reporting around accruals for year end, so that it is easier to verify that the correct amounts have been accrued.

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Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan - Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Seeded roles with SoD conflicts** IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security - FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV - FND_APP_MANAGE_PROFILE_OPTION_PRIV - FND_APP_MANAGE_PROFILE_CATEGORY_PRIV - FND_APP_MANAGE_TAXONOMY_PRIV - FND_APP_MANAGE_DATABASE_RESOURCE_PRIV **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.	It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour. **Management response** We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role. Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role.

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Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	We observed download of the general ledger transactions as part of our journal testing for each month. The number of journals raised in November of the November was considerably larger than the other months. This caused a number of issues with the journal listing not being exported correctly from the Council which our digital audit team had to assist with. The reason for this was caused by the fact that CTax DD journals for April up to October were all created in November. We have understood from the Council that this was a one time experiment performed which they will note repeat.	We recommend that the Council spreads the creation and posting of journals, unless there is a need for it, instead of creating so many journals within a short period of time as was the case for the Council tax journals. The Council should take into consideration the fact that the Oracle system can't process or export properly when there are a very high number of transactions that have been posted. **Management response** The council will look to ensure that all journals are processed in the quarter that they relate to

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Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Intangible Assets Useful Lives** From our testing of the amortisation of intangibles assets, we identified that there are some intangible assets within the fixed asset register(FAR) which have a useful economic life (UEL) of 0, 10 and 50 years however within the Council's accounting policy on the amortisation of intangible assets, the UEL of assets quoted as being within the range of 5-7 years. We challenged management about this, and they accepted that the UEL of 0 have been incorrectly recorded on the FAR. The UEL of 50 years on the FAR relates to a PFI asset and the UEL of 10 years relate to IT software. Both are within the expected range for UEL for the types of assets which they are. The inconsistency between the UEL on the FAR and the accounting policy results in the UEL of 52% of intangible assets in the FAR being out of range with the UEL in the accounts. We have estimated that the difference in the UEL has resulted in £1.2m variance the expected and actual amortisation cost for the year of intangible assets. For 22/23, the variance is below our PM and for the purposes of analytical review, the variance is acceptable, however if management do not correctly update the data on the FAR and clarify their accounting policy, this could result in a material difference in the future.	We recommend that management ensures that the FAR for intangible assets is updated to show the correct UEL for all assets especially assets which are currently shown as having no (0)UEL. Management also needs to ensure that the accounting policy is correctly updated to show the UEL of intangible assets and specify the UEL for PFI assets as it is a lot higher than the rest of intangible assets. This will ensure that the UEL in the accounting policy is consistent with that on the FAR and reduce the variances resulting from the inconsistencies between the accounts and the FAR. Management response **This will be reviewed.**
Low		

Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	PFI Model From our testing of PFI assets, we identified that, the unitary payments for PFI which are split into payments for finance and operating have been incorrectly recorded on the PFI model even though the actual unitary payments in the accounts is correct for the year as this is based on the actual accommodation rates. We also identified during our PFI provisions testing that the long-term provision in the PFI model did not agree with the long-term PFI provisions in the accounts. We challenged management and they explained that the wrong closing value for long term PFI provisions was recorded on the model, this is because the TB used in the model had the wrong value due to an adjustment for the provision which was completed in period 13. We have gained assurance over the correct closing balance figure and the draft accounts and trial balance are correct (it is just PFI model and working paper that is incorrect). There is no impact on the accounts. The client has confirmed that the correct opening balance figure will be used for the 23/24 model. We have spoken internally to the GT PFI modelling team who have confirmed that this is a closing balance adjustment and therefore no further work is needed. We have raised a control deficiency that the PFI modelling team and provisions team confirm their figures with each other before they complete the PFI model.	We recommend that management reviews the figures which are input in the PFI model to ensure that they agree with backing information and the accounts. This includes ensuring that there are multiple reviews of the PFI model by more than one person so that incorrect figures are not entered for the actual unitary charge and provisions. Management should also review the overall model to ensure that the Council fully understands all the figures which are recorded on the model. **Management response** The Council will ensure a review is undertaken of the accounting models, they are updated on a timely basis and reviewed by all teams involved.
Medium	Change in circumstances testing. From our sample testing of change in circumstances, out of a sample of 12 cases tested, we identified one case which the sample tested was a valid change in circumstance however it was missing the appropriate approval. If the approval process for change in circumstances is not followed, this can result in unapproved changes of employees' circumstances on the system.	We recommend that management ensures that the approval process is followed for each change in circumstance before the change is updated on the system. **Management response** Options for improving this will be reviewed.

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Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan - IT Audit Findings

Assessment	Issue and risk	Recommendations
Low	When reviewing the fixed asset register, we identified a high number of vehicle, plant and equipment assets in the fixed asset register which had gross book values brought forward and nil carry forward values with no movement in the year. We selected a sample of 5 assets to gain an understanding of why these assets ware still on the FAR and if they had actually been fully depreciated and being shown in the FAR at the correct carry forward balance. Of these 5 assets, the Council could not locate 4 assets, they could locate the 5th but not to the value in the FAR. Therefore, it is reasonable to conclude that these assets have no net carry forward value and they do not impact the PPE balance in the accounts however the issue is more of an overstatement of the gross book value. This does not impact the net book value which feeds into the balance sheet, a control recommendation has been raised.	We recommend that the Council evaluate the vehicle, plant and equipment assets in the FAR which have a gross book values brought forward, and nil carry forward values and tidy up the fixed asset register as the gross book values may be overstated. **Management response** This will be reviewed in 2023-24.
Low	**Lack of audit logging for configurations in Oracle Cloud** IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table **Risk** Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database	It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to • Accounts Payable • Cash Management • Accounts Receivable and • General Ledger It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS **Management response** Audit logging has been reviewed across all financially critical areas and has been found to be sufficient

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Financial Statement issue /Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Brent's 2021/22 financial statements, which resulted in 11 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations, it has been noted that no new system implementation occurred in year end.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	IT Audit Control Findings From IT Audit's work, we have recommended that the Council: - Should undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities. - Should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles. - Should implement audit logging for financially critical areas including, but not limited to accounts payable, cash management, account receivable and the general ledger. - Should configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team - Should ensure changes to key documents are authorised before processed or reviewed by someone independent of the author, restricting access and publishing PDF versions of key documents for use by the project team.	**Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:** - Four Quarterly user access reviews performed, by Oracle Cloud Applications Support, findings are recorded on SharePoint and is a manual process. - Only the Oracle Support Team & SI support have the privileges to develop and makes changes in Oracle cloud, this follows the governance in place which also includes approval at the Oracle CAB for deployment into production. **Manage access rights:** - Requests for specialist roles are raised via Hornbill with approval from Heads of Finance - new roles assigned are recorded in SharePoint. - Changes to user accounts are requested via hornbill with changes and dates recorded and saved in SharePoint. - For users who have left is an automated process where accounts for users who have left are made inactive. **Password requirements:** - Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication. **Manage Program changes:** - Change requests are logged via Hornbill following the governance model in place. - Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD. - Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads. - Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team - Any changes to financially significant scheduled jobs are managed and recorded via Hornbill. - This operation is carried out daily by the OCAS team identifying exceptions and controls are in place.

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Brent's 2021/22 financial statements, which resulted in 11 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations, it has been noted that no new system implementation occurred in year and therefore this control will need to be confirmed at a later date.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2	✓	Income Population Listing We have recommended that the Council provide the audit team with cleansed data for their income population listing where the total is not materially different to the amount disclosed in the accounts.	The figure provided for income population testing was reconciled and was not materially different to the figure published in the accounts. A more rigorous cleansing process was undertaken this year resulting in a significant number of contras removed.
3	✓	Review of Opening and Closing Balance We have recommended that the Council reviews the opening and closing balances in the Collection Fund model to ensure the correct opening balance is bought forward.	The NNDR debtor balance was reviewed, and an adjustment was made to correct the balance in the 2022/23 accounts for the £1m error. The NNDR balance at 31st March 2023 in the trial balance is in agreement with the NNDR3 form, which was populated from the system reports extracted from Academy. Furthermore, since 2021/22, the Council have been using a new Collection Fund model, created by LG Futures, which has a number of built in checks that highlight discrepancies, thereby minimising the risk of incorrect balances being used in the model.
4	✓	PPE Valuations – Indexation We recommend that management engage their valuers to perform valuation as at the year-end. Where management applies indexation to arrive at the year-end value of assets, management should engage a valuer to review the application of indexation. Management should then obtain a formal certificate from the valuers which confirms that the indexation has been performed in accordance with the requirement under RICS and the CIPFA Code of Practice.	The Council have confirmation from our Valuer that they are satisfied with our application of their indexation rates, we will shortly be receiving formal certificate for this.
5	✓	Capital Maintenance Communication We recommend that management share the capital maintenance programmed with the valuer based on the assumptions they make in regards to maintenance and determination of asset lives	The Council has provided our Capital maintenance plan to the Valuer for consideration in our revaluation

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Brent's 2021/22 financial statements, which resulted in 11 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations, it has been noted that no new system implementation occurred in year and therefore this control will need to be confirmed at a later date.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
6 ✓	Pupil's Number Communication We have recommended that for future valuations, management provide information on pupil's number and other date related to this is provided to the valuer	The Council has provided pupil numbers to our Valuer to consider.
7 ✓	Enhancing and Replacing Assets We recommend that the Council track their enhancement and replacement spend and de-recognise assets where they are replacing an existing asset	For 22/23 the Council have started tracking enhancement and identifying where there has been replacement of assets before the end of an asset's useful economic life. Where material, the Council have discussed these with our Valuer to ensure our asset value is materially accurate. The Council continues to work on maintaining our tracking of replaced or enhanced assets/components
8 ✓	SoA in Accordance with the CIPFA Code We recommend that management use the CIPFA code's disclosure checklist and the CIPFA guidance for practitioners as part of their financial reporting process to ensure that the financial statements are preparing in accordance with the CIPFA code of practice	For 22/23 the Council have used CIPFA Code's disclosure checklist in producing our accounts. Preparers of the account are required to refer to the Disclosure checklist and the Council have a peer review process whereby Reviewers refer to the Disclosure checklist for their review
9 ✓	Bank Reconciliation – New System Implementation We recommend that the Council should complete a bank reconciliation for all bank accounts in the period when a system change occurs to ensure that there is completeness of the data which migrated from the old system to the new system	There was no new system implementation for 22/23

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Brent's 2021/22 financial statements, which resulted in 11 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations, it has been noted that no new system implementation occurred in year and therefore this control will need to be confirmed at a later date.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
10 ✓	Provisions We recommend that management ensures that the calculation of provisions is based on the actual debt balance which agrees with the TB and considers both arrears and collections in the year.	A new process was implemented for 2022/23
11 ✓	Impairment Calculation We recommend that management incorporates forward looking information in the impairment calculation for financial assets.	ASC, temp housing and HRA debtors: Past performance, management experience, aged analysis and forward-looking information, such as government macroeconomic forecast that can be easily obtained without undue cost or effort, has been considered to measure the risk of default whilst estimating impairment allowances on rent arrears for Housing GF and HRA.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
The HB Overpayment debtor balance as per the trial balance is £52,614,809, however the revised agreed amount of HB debtor as at 31/03/023 is £49,934,126. The HB overpayment debtor balance has to be reduced by the amount which it was overstated by (£2,680,683.)				
Dr Revenue	2,680		2,680	
Cr Debtors		(2,680)		(2,680)
The council are due to receive a £16.2m payment in the 23/24 financial year which once discounted amounts to £15,695,453.31 which is in relation to a lease where the council are acting as the lessor. This amount was wrongly recorded as a long-term debtor and so an adjustment was needed and agreed to be made by the council				
Dr Short Term Debtors		15,695		
Cr Long Term Debtors		(15,695)		
Overall impact	£2,680	(2,680)	£2,680	(2,680)

D. Audit Adjustments - continued

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The audit fee note (note 17) line "Certification of grant claims and returns for in year" would be changed from 30.5k to 44.5k. This is to ensure that the value agrees with the audit plan presented to those charged with governance at the audit committee. The £30.5k was the value from the prior year which was just rolled over when it should have been updated	Audit note will be updated to £44.5k. Management response To be updated	✓
An error of £53.2m was identified in Pension liability note (note 34). The reason for this that Other Experience of £53.2m was neglected on page 84 due to a manual error. The total amount of pension liability is correct and note 34 needs to be corrected.	Correction of note 34 to include Other experience £53.2m. Management response To be updated	✓
During our work on MIRS, it was identified that Note 23 was missing the £0.9m PFI assets additions in year in error. The figure should be 136.9m (143.7m plus 0.9m minus IA additions figure which was obtained from the FAR).	Note 23 should be updated to include the £0.9m. Management response To be updated	✓
For minimum revenue provision testing, the £7.5m and £1.9m figures included on page 122 of the draft accounts are incorrect, the retrospective charge is £7m and £2.0m for 2022/23.	The MRP note needs to be updated in the final version of the accounts. Management response To be updated	✓
From the testing of Services Grant (note 19), we identified one sample (£6.1m) which was misclassified which was classified as ring fenced, but it should be a non-ringfenced based on supporting evidences and presented below the line.	The misclassification of this grant in note 19 needs to updated in the final version of the accounts. Management response To be updated	✓

D. Audit Adjustments - continued

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
In Note 13, Capital Grants and Contributions recognised in taxation and non-specific grant income figure is £125m, however on Note 39, MIRs– the Capital grants and contributions unapplied (and recognised as income in CIES) is £118.7m. Note 39, MIRS will be corrected so that these figures agree. The £6.1m out of the difference is related to mayoral CIL, neighbourhood CIL and s106	Note (39), MIRS should be updated Management response The council is reviewing its accounting for CIL and S106 to help prevent this.	✓
It was documented under the I4B Related Party Transactions that as of 31st March 2023, Brent Council had provided loans totalling £182.1m to I4B (£126.0m in 2021/22), which are secured against the company's properties. We note however that Brent Council had provided loans totalling £142.1m to I4B in 2021/22 and that the figure of £126.0m relates to 20/21	Correction of the loan to I4B in the related party note needs to be made. Management response **The council will review the disclosures against last year's reported values to prevent this.**	✓
Various changes were required to be made to note 27 - finance leases. The issues were concerned with non-compliance with the CIPFA code and wrongly classifying a lease receivable amount.	Note 27 should be updated Management response The council will review its approach to recoding leases, the disclosure requirements and their classification	✓
Two changes were agreed to be made to the operating lease note by the council. The original operating lease note where the council is the lessee was inaccurate. This became clear upon inspection of the clients working paper, where the auditor observed that the Council had disclosed that they had expensed £634k in relation to its annual lease payments (this value can be seen in the original note). The value of £634k had been used for the past ten years and never recalculated. It is important to recalculate this amount to reflect any changes which would be made by the introduction of new leases or old leases expiring. After the change had been made, the minimum lease payments now outlined as charged to the I&E is £3,313,087. Note that this is just a presentational change and no journals have been passed. The note needs to be updated to include the change which impacted the Lessee side of the note, We identified additional error during our Lessor sample testing which resulted in the client agreeing to make an additional adjustment to the note. This was just a presentational change. The value of the change was £1.1m	Operating lease note needs to be updated The council will review its approach to recoding leases and their classification.	✓

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D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
We have recorded an extrapolated error of £933,699 in our OPEX testing. The extrapolated error relates to one fail which had not been correctly apportioned between financial years. A portion of the expense (41k) should have been accrued in the 21/22 FY. There was no evidence to suggest this was an isolated incident and therefore an extrapolation of the error was carried out. The projected misstatement of the population is £933,699, and therefore significantly below PM. There is an overstatement on expenses and an understatement of cash.					Below PM and extrapolated error.
Dr Cash		933			
Cr Expenditure	(933)		(933)	933	
5 Errors in Accruals testing: - Wates Construction: we found 2 errors relating to Wates, we then tested more of the population relating the Wates and found 2 more errors therefore we can't isolate this error. - Airey Miller: we found 1 error in testing that also could not be isolated We extrapolated these errors which amounted to £1.29m					Below PM and extrapolated error.
Dr Creditors (accruals)		1,295			
Cr Expenditure	(1,295)		(1,295)	1295	

D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
The Council has recorded £900k as a provision for contingent liabilities in the TB. After communication with the client, it has been understood that this was done in error since the Council was using an old calculation where it provides for a provision despite the probability being 50% or under. We checked all other contingent liability to ensure that there were no other similar errors in the contingent liability note The correct position for contingent liabilities should be £2.3m, not £1.4m which is disclosed in the accounts					Below PM and extrapolated error.
It also means provision is overstated by the £900k.		900			
Dr provisions 900K			(900)	900	
Cr I&E 900K	(900)				
Overall impact	**(3,128)**	**3,128**	**(3,128)**	**3,128**	

D. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Collection fund Debtors overstatement					The Council did not adjust it as it was not material .
The opening balance of collection fund debtors was overstated by £1m. It should have been £10.4m, however it was incorrectly input into the correction fund model as £11.4m. This resulted in an overstatement of the year end debtor balance by £1m.					
Debtors		(1,000)			
Creditors		1,000			
The Council can move it to a suspense account so that both debtors and creditors are reduced by £1m and there is no net change on the balance sheet.					

D. Audit Adjustments

Impact of prior year unadjusted misstatements - continued

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Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Insurance Policy Expenditure cut off error The Council has incorrectly recognised the full invoice amount of £1.6m of invoices for Zurich insurance which relate partially to both 21/22 and 22/23 as an expenditure in 21/22. This results in a factual overstatement of expenditure by £804k					The Council did not adjust it as it was not material .
Dr Liabilities		804			
Cr Expenditure	(804)		(804)	804	
Overall impact	**(804)**	**804**	(804)	804	

D. Audit Adjustments

Impact of prior year unadjusted misstatements - continued

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Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Shows the correction of errors resulting from differences in the land value used in calculation, use of incorrect obsolescence rate and difference in the value of undeveloped land calculation for 3 individual asset. The errors resulted in an understatement of £309k factual error after indexation. The extrapolated error is £1.2m understatement. Dr PPE Cost Cr Revaluation Reserve		1200 (1200)			The Council did not adjust it as it was not material .
The use of 100 years in the Council's calculation of MRP for supported borrowing is not allowed by the statutory guidance. This has caused an understated MRP. Dr General Fund Cr CAA		1,485 (1,485)			The Council did not adjust it as it was not material .
Overall impact	(804)	804			

E. Fees and non-audit services

We confirm below our proposed fees charged for the audit and provision of audit services. There were no fees for the provision of non-audit services.

Audit fees	Proposed fee
Scale Fee	£173,434
Audit of Group Accounts (not included in the Scale Fee)	£5,260
Additional audit procedures arising from a lower materiality	£6,575
Enhanced audit procedures for Property, Plant and Equipment	£7,048
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISA 540	£6,000
Journals	£3,000
FRC response - additional review, EQCR or hot review	£1,500
Enhanced audit procedures for Infrastructure	£2,500
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
ISA 315	£5,000
Use of Expert for PPE (Expert fees charged)	TBC
Other – errors in Creditors Accrual testing and additional work carried out to get assurance	1,500
Other – errors in HB debtors testing and additional carried out to get assurance	2,500
Other – Delays with upload of November GL and additional work carried out	1,500
Delays in work on operating and finance leases	1,500

E. Fees and non-audit services - continued

Audit fees	Proposed fee
Delays in change of circumstances testing	£,1000
Council Audit	TBC

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E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of audit services. There were no fees for the provision of non-audit services.

Audit fees	Proposed fee
I4B Holdings Ltd Audit	£40,000
First Wave Housing Ltd Audit	£37,000
Brent Pension Fund Audit	53,771
Objection to the accounts	TBC
Total audit fees (excluding VAT)	**£TBC**

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee
Certification of Housing capital receipts grant	£10,000
Certification of Teachers' Pension Return	£7,500
Certification of Housing benefit Return	£27,000 plus day rate for additional work required.
Total non-audit fees (excluding VAT)	**£44,500**

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

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Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Grant Thornton

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

The Audit Findings Report for Brent Pension Fund

Year ended 31 March 2023

12 October 2023

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Standards Committee.

[Insert Key Audit Partner Signature]

Name: Ciaran Mclaughlin
For Grant Thornton UK LLP
Date: 19 September 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 5 to 19. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements subject to the following outstanding matters;

- Review of investments work
- Subsequent event confirmation
- Receipt of management representation letter ; and
- Review of the final set of financial statements

Our anticipated opinion on the financial statements will be unmodified

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. As documented above we have not received the Annual Report. . We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on 12 October 2023

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to provide responses to our audit queries in a timely manner. The Pension Fund team worked constructively with the audit team to ensure that audit queries were resolved on time in most cases. There was clear and open communication between the audit team and the Pension Fund Officers which ensured that the audit process went smoothly most of the time.

There was a new pension administration system change from Altaire to Civica which management did not make us aware of until we started the audit. As such we did not factor the audit work on new system implementation into our budget. We experienced delays with obtaining information which we requested for our audit work on the new system transfer from the Local Pensions Partnership Administration (LPPA). There were also delays with getting evidence for the samples which we selected for our triennial valuation test and IAS 19 test.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hyman Robertson, and showed that the

Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. The present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. Following the 2022 triennial valuation, the Employer's contributions for the period to 31 March 2024 are estimated to be approximately £41.6m. The deficit recovery period is 20 years. Contributions will remain at 33.5% of pensionable pay in 2023/24. The results of the latest triennial valuation are reflected in note 35 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 28. We identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. We also identified one deferred pensioner who should have been classified as a pensioner however due to late processing his status was shown as a deferred member.

There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as it the data might have been archived.

We did not identify any issues in our testing apart from the above. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Brent Pension Fund, the Audit and Standards Committee fulfil the role of those charged with governance. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved as detailed on page 3, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 26 September 2023.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the pension fund team and other staff. During the audit, both your pension fund team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e. remote accessing financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the entity, cover for sickness absence and access to key data from Pension Fund staff .

As documented on page 4, we were not aware of the system change until we started the final accounts audit and such the work in relation to the new system implementation was not budgeted for and factored into our fees. We also experienced delays in obtaining evidence for the testing of triennial valuation and IAS 19 data as summarised on page 34. The investment work took longer than planned for as it took long to obtain confirmations from some fund managers. With regards to purchases and sales of investments, our work took longer as the fund manager evidence did not reconcile clearly to the Pension fund's working paper. See appendix E for the impact of the delays on the audit fees.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 18 July 2023

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,800,000	This represents 1.5% of net assets
Performance materiality	12,600,000	This represents 75% of materiality for financial statements
Trivial matters	840,000	This is 5% of overall financial statement materiality.
Materiality for fund account	4,700,00	This represents 8% of total gross expenditure.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals. • analysed the journals listing and determined the criteria for selecting high risk unusual journals. • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence. • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person. The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. We have recorded this as a control point on the action plan at appendix B. Our work on journals is complete. Apart from the point raised above, our work has not identified any issues in respect of management override of controls.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £101.3m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31March 2023. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We have: • evaluated management's processes for valuing Level 3 investments. • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met. • Independently request year-end confirmations from investment managers and the custodian (Northern Trust). • tested the valuation of a sample of investments by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. We have reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period. • evaluated the completeness, capabilities and objectivity of the valuation expert in the absence of available audited accounts. • reviewed investment manager service auditor report on design and operating effectiveness of internal controls where available. Our work on level 3 investments is complete. We identified from our purchases and sales testing that the sales figures for several Level 3 investments have been understated per our review of the fund manager reports. The net variance between the sales figures per fund manager confirmation and the figures disclosed in the accounts is £6m. The reason for this is that some of the sales figure have been recorded as gains in the accounts. There is an understatement of investment sales of £6m and an overstatement of gains of £6m. The variance of £6m is made up of investments held in Capital Dynamics and Alinda funds, with the biggest variance of £4.4M relating to Alinda III investment. We have recoded this as an unadjusted error at appendix B. Our work has not identified any other issues apart from the above which we need to bring to the attention of the Audit and Standards Committee.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
The implementation of the Pensions Administration System In November 2022, Brent Pension Fund moved its Pensions Administration function from the Altair System to the UPM System. As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end. The system change impacts benefits payable and contributions which are material balances in the accounts as they are contributed by members. Thus, we have identified a significant risk in this area over the completeness and accuracy of the transfer between the systems.	We have • obtained an understanding of the processes and controls put in place by management to ensure the completeness and accuracy of the transfer of data between the old and new Pensions Administration System; • reviewed the checks undertaken by management over the data transfer to assure themselves over the completeness and accuracy of the transfer; • Carried out testing to check that all members have been correctly transferred from Altair to Civica Our audit work has not identified any issues in respect of the implementation of the new pensions administration system.

2. Financial Statements: Other risks

Risks identified	Commentary
Local Government Pension Scheme triennial valuation Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.	We have: • reviewed the methods used to calculate the estimate, including the models used • reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports. • performed tests on the accuracy and completeness of the data used in the valuation process. This included examining source documents and reconciling data to supporting records. • evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements. From our testing of 28 samples, we identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. We also identified one sample which the member has been classified as deferred instead of a pensioner. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as the data might have been archived. Our work on triennial valuation is complete . Apart from the points noted above, our audit work has not identified any issues in respect of Local Government Pension Scheme triennial valuation

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2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud to support the financial statement audit of the London Borough of Brent and its subsidiaries for year ended 31 March 2023. The overall rating was significant deficiencies in the in the IT controls relevant to the financial statements.	The IT Audit team have; • evaluated the design and implementation effectiveness for security management, change management and batch scheduling controls; • performed high level walkthroughs, inspected supporting documentation and analysed configurable controls in the above areas; • completed a detailed technical review of Oracle Cloud as relevant to the financial statements audit; and • documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary. The IT audit work identified 2 significant deficiencies, 1 deficiency and 1 improvement opportunity . The significant deficiencies identified are: • segregation of duties conflicts between finance / payroll and system administration roles in Oracle Cloud. • Excessive access assigned to HR and Payroll users. We have detailed the findings from the IT audit and recommendations made by the IT audit team on the action plan at appendix B.	We have considered the findings by the IT audit team and factored procedures in our journal testing to check if any of the deficiencies identified has any impact on the audit. We did not identify any issues which showed that the IT deficiencies have any impact on journals posted or on the financial statements. Management has provided responses to the recommendations made by the IT audit team for each of the deficiencies. We have recorded the management responses against the control points which we have raised for the deficiencies on the action plan at Appendix C

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £115.7m	The Pension Fund has Level 3 investments in private equity, infrastructure and private debt which in total are valued on the net assets statement as at 31 March 2023 at £115.7m. The management has flagged estimation uncertainty in relation to private equity/infrastructure/private debt investments in that there is a risk that this investment may be under- or overstated in the accounts. This is because such investments are valued on the latest available information, as the exact value of the investment as of 31st of March 2023 might not yet be available at the time of the compilation of the accounts. The management therefore uses the custodian as their expert, as Northern Trust will adjust the fund managers' valuations to account for cash-flows in the intervening period. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management uses the custodian report provided at the year-end by Northern Trust. The investment valuations are supported by audited accounts. Service auditor reports were also obtained and considered as part of our testing. The value of the investment has increased by £14.4m in 2022/23.	From the procedures undertaken, we have • deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • assessed management's expert (the fund managers and the custodian which is Northern Trust) • obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. • checked the completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • reviewed the results of service auditor reports • checked the reasonableness of the increase in level 3 investments • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Level 3 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £972.9m	The Pension Fund has Level 2 pooled investments and pooled property investments which in total are valued on the net assets statement as at 31 March 2023 at £972.9m. Management has not flagged any estimation uncertainty in relation to Level 2 investments. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. The Pension Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated. The value of the investment has decreased by £29.4m in 2022/23.	From the procedures undertaken, we have • deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • assessed management's expert (the fund managers and the custodian which is Northern Trust) • obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. • checked the completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • reviewed the results of service auditor reports • checked the reasonableness of the increase in level 3 investments • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Level 2 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle	ITGC assessment (design and implementation effectiveness only)	● (red)	● (red)	● (grey) Not covered as there has been no acquisition of this IT system in the current year. There is no impact on our audit because of this control not being tested.	● (grey) Not covered as there has been no batch scheduling for IT to test. There is no impact on our audit because of this control not being tested.	Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.

Assessment

- ● (red) Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● (amber) Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● (green) IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● (grey) Not in scope for testing

2. Financial Statements: Information Technology

We also performed specific procedures in relation to the significant event during the audit period, specifically the new system implementation

IT system	Event	Result	Related significant risks/ risk/observations
Altair and Civica UPM	New system implementation	Our testing to date has not identified any significant deficiency. We checked the reconciliation carried out during the system implementation to ensure that membership ship data was correctly transferred from Altair to Civica. Our testing has not highlighted any issues.	**The implementation of the Pensions Administration System** As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end. Our sample testing of individual member data transferred from Altaire to Civica confirmed that the data for each sample was correctly transferred. Our testing did not identify any differences between the two systems for membership numbers.

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Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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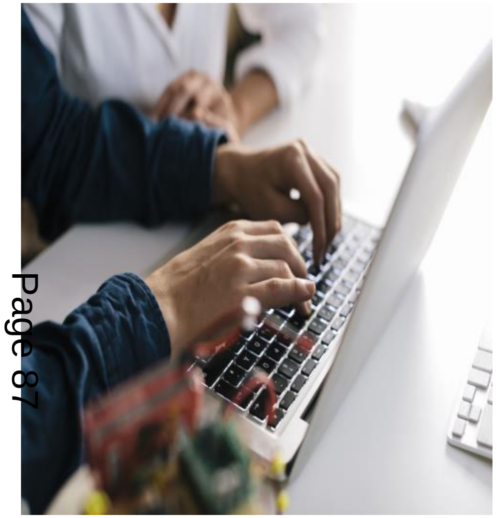
Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is included in the Audit and Standards Committee papers Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for Level 3 and level 2 investments
Audit evidence and explanations	All information and explanations requested from management was provided. We experienced delays with: • obtaining information from LPPA to carry out our audit work on the new system transfer • getting evidence for the samples which we selected for our triennial valuation testing and IAS 19 test.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to fund managers. This permission was granted, and the requests were sent. We have received all requests other than confirmation from Alinda for level 3 investments and confirmation from Natwest for level 1 investments. We requested management to send letters to those solicitors who worked with the Pension Fund during the year. As at 19 September a reply has only been received from all other than the following solicitors; • Bevan Brittan • Ashfords • Judge Priestley We have requested management to follow up the outstanding responses.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements

2. Financial Statements: other communication requirements

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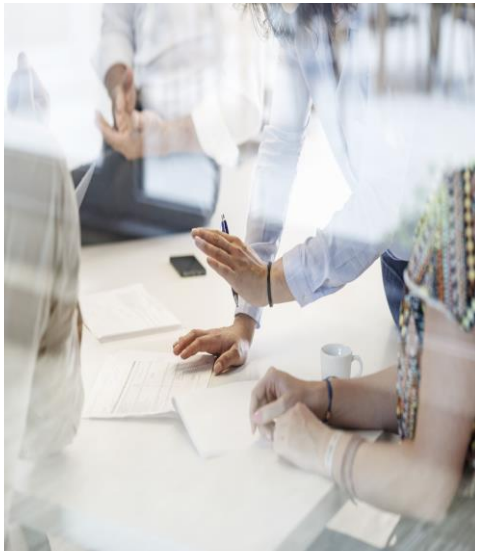
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by the London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. This work is outstanding.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report if the Pension fund provides us with the annual report before we issue our audit opinion. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 7 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit .The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension. Risk Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to.	Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners . **Management response** The pension fund regularly reviews it's data and will consider what steps it can take to address this finding.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**Excessive access assigned to HR and Payroll users.** IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role The Council informed our IT team that the role is required to enable system configuration to be undertaken as part of this team, such as for pay awards and performance enrolments. The Brent HCM Application Administrator role provides these individuals with significant levels of access, enabling them to alter system behaviour and create workers in Oracle Cloud **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters	It is recommended that the Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required. **Management response** The Brent HCM Application Administrator role has now been removed from the Payroll, Learning and Development, and Training teams and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities
High	**Segregation of duties (SoD) conflicts between finance / payroll and system administration roles in Oracle Cloud.** IT Audit's identified that a Senior Finance Analyst had access to the Application Implementation Consultant role **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters	It is recommended that the Council undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities **Management response** This was removed and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Seeded roles with SoD conflicts** IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security - FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV - FND_APP_MANAGE_PROFILE_OPTION_PRIV - FND_APP_MANAGE_PROFILE_CATEGORY_PRIV - FND_APP_MANAGE_TAXONOMY_PRIV - FND_APP_MANAGE_DATABASE_RESOURCE_PRIV **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.	It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour **Management response** We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person. The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. **Risk** This finding indicates that there is currently nothing in the system to prevent journals being posted with an identical journal number (lack of preventative controls), which increases the risk of error occurring and can result in journal duplications.	Management should put in place a control/ procedure/checks which will prevent more than one journal from being posted with the same journal number. **Management response** Management will look to ensure that all staff are aware of the procedures to make sure this is not repeated.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Lack of audit logging for configurations in Oracle Cloud** IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table. **Risk** Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.	It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to: • Accounts Payable • Cash Management • Accounts Receivable and • General Ledger It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS **Management response** Audit logging has been reviewed across all financially critical areas and has been found to be sufficient
Low	Following our hot review, we challenged management about the currency risk disclosure as to why the currency risk disclosure in the financial instruments note was not analysed by currency . Whilst this is not a requirement in the CIPFA code , the disclosure will be clearer to the readers of the financial statements if it is analysed by currency. This is a best practice recommendation.	We recommend that management analyse the currency risk disclosure by currency to ensure that it is clear to the readers of the financial statements. **Management response** Management will consider the disclosure by currency for the 2023/24 accounts.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Brent Pension Fund's 2021/22 financial statements, which resulted in 4 recommendations being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Segregation of duties conflicts between finance and system administration roles in Oracle Cloud. Our audit identified the following segregation of duties conflicts for users in Oracle Cloud: • A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles. • A Senior Finance Analyst had access to six Brent L3 Support roles. • The Head of Finance had access to the IT Security Manager role. • Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022). • 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role. The Pension Fund confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements. Risk Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.	**Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:** - Four Quarterly user access reviews performed, by Oracle Cloud Applications Support, findings are recorded on SharePoint and is a manual process. - Only the Oracle Support Team & SI support have the privileges to develop and makes changes in Oracle cloud, this follows the governance in place which also includes approval at the Oracle CAB for deployment into production.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Lack of audit logging in Oracle Cloud.** Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled. **Risk** Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database. It is recommended that the Council implement audit logging for financially critical areas including, but not limited to: • Accounts Payable (including Suppliers); • Cash Management; • Accounts Receivable; and • General Ledger. The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.	- Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication.
✓	**Monitoring of scheduled processes.** Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team. **Risk** Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud. It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.	Change requests are logged via Hornbill following the governance model in place. - Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD. - Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Project documents maintained in an unsecured format.** Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams. **Risk** There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned. For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation: • Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner. • Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team. • Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom.	Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team - Any changes to financially significant scheduled jobs are managed and recorded via Hornbill. - This operation is carried out daily by the OCAS team identifying exceptions and controls are in place.

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Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The audit fees for 2021/22 were incorrectly disclosed in the draft accounts at £33k instead £38k.	The management fees for 21/22 need to updated to the correct amount **Management response** Final set of accounts will be updated.	✓
From our audit work and hot review , we challenged management about why there were no financial assets disclosed at amortised cost if they have level 1 assets in the form of cash. The draft accounts only showed financial liabilities at amortised cost..	Management should amend financial instrument note to include financial assets at amortised cost **Management response** Final set of accounts will be updated.	✓
From the hot review of the accounts, we identified that Note 4 of the draft accounts includes 'Unquoted private equity / infrastructure / private debt investments and pension fund liability as critical judgements not involving estimates. We challenge management over those.	Management should exclude the two points under critical judgement. Final set of accounts will be updated.	✓

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D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
We identified from our purchases and sales testing that the sales figures for several Level 3 investments have been understated per our review of the fund manager reports. The net variance between the sales figures per fund manager confirmation and the figures disclosed in the accounts is £6m. The reason for this is that some of the sales figure have been recorded as gains in the accounts. There is an understatement of investment sales of £6m and an overstatement of gains of £6m. The variance of £6m is made up of investments held in Capital Dynamics and Alinda funds, with the biggest variance of £4.4M relating to Alinda III investment.				The Pension Fund has not adjusted the error is below PM
Dr gain on investments		(6,000)		
Cr Sales		6,000		
Overall impact	£0	£0	£0	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
During the testing of contributions paid by admitted bodies, we identified an error where the pension fund overstated the pension paid by an admitted bod by £1,691. We extrapolated the error to £2,640k				The Pension Fund did not adjust it as it was not a factual error.
Dr Contribution	2,640			
Cr current Liabilities		-2,640		
Overall impact	£2,640	£2,640	£0	

E. Fees and non-audit services

We confirm below our proposed fees charged for the audit. There were no fees for the provision of non-audit services.

Audit fees	Proposed fee
Scale fee	£22,420
Investment Valuation	£6,351
Additional audit procedures arising from a lower materiality	£6,575
Increased audit requirements of revised ISA 540	£3,500
Journals	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
ISA 315	£3,000
New System Implementation work	£6,500
Hot Review	£2,500
Work on triennial valuation member data	£5,000
Delays resulting from investment work including purchases and sales testing	£2,000
Total audit fees (excluding VAT)	**£53,771**

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*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

E. Fees and non-audit services

There are no non-audit or audited related services have been undertaken for the Pension Fund

The proposed fees reconcile to the financial statements as shown below

fees per financial statements £37,771

- New System Implementation work £6,500
- Hot Review £2,500
- Work on triennial valuation member data £5,000
- Delays in investment work including purchases £2,000
- and sales work
- total fees per above £53,771

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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Auditor's Annual Report on London Borough Brent

2022/23

October 2023

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

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Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but five improvement recommendations made	A	No significant weaknesses in arrangements identified, but two improvement recommendations made	↓
Governance	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but three improvement recommendations made	A	No significant weaknesses in arrangements identified, but three improvement recommendations made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but three improvement recommendations made	A	No significant weaknesses in arrangements identified, but three improvement recommendations made	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

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Financial sustainability

The significant challenges facing the Local Government sector In England mean that the Council is having to make tough decisions in order to balance the budget and ensure it maintains its finances on a sustainable footing. For the first time in recent years the Council is having to make cuts in some services while moving forward with its overall plans for improving the future of Brent. We found that its financial planning both short term and longer term were based on sound judgements and the Council has a good track record in setting and achieving balanced budgets. It has identified and is responding to key financial risks to which it is exposed. There are further challenging decisions ahead for the Council requiring continued careful monitoring of its financial position.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised five improvement recommendations which have been accepted by Management. See pages 9-16 for more detail.

Governance

The Council's arrangements for managing risk and taking decisions appear appropriate. There is no evidence of concerns regarding standards and behaviours by either officers or members. The Council has taken steps to further improve arrangements for identifying and monitoring risks.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised three improvement recommendations which have been accepted by Management. See pages 17-20 for more detail

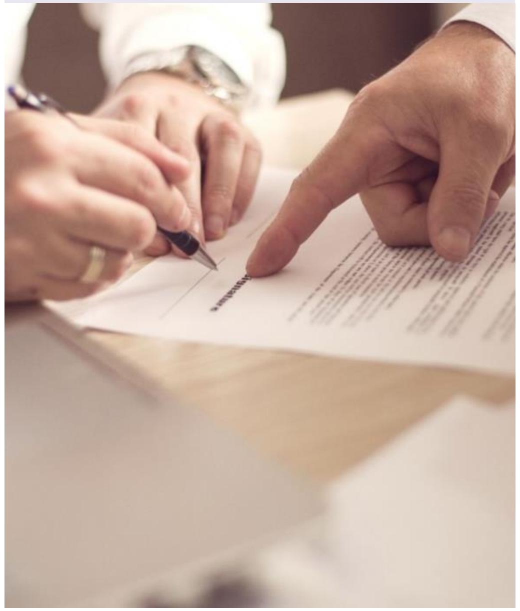
Improving economy, efficiency and effectiveness

The Council makes good use of performance and financial information in order to review and improve its systems, processes and services. These arrangements have been further enhanced recently following the arrival of the Council's new Chief Executive. The Council works collaboratively with a number of key partners, including voluntary sector organisations, local community groups, multi faith groups and other public sector organisations such as the NHS and Metropolitan Police.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised three improvement recommendations which have been accepted by Management. See pages 21-25 for more detail

Financial Statements opinion

We have completed our audit of your financial statements and we plan to issue an unqualified opinion on the Council's financial statements on 12 October 2023 Our findings are set out in further detail on pages 29 to 34.



Use of auditor's powers

We bring the following matters to your attention:

	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 26.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

The current local government landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current local government landscape (continued)

Local context

The London Borough of Brent (the Council) is situated in north-west London. Brent's population is estimated to be 339,800. Major districts are Kilburn, Willesden, Wembley and Harlesden, with sub-districts Stonebridge, Kingsbury, Kensal Green, Neasden, and Kenton. Brent has a mixture of residential, industrial and commercial land. It includes many districts of inner-city character in the east and a more distinct suburban character in the west, part of which formed part of the early 20th century Metroland developments.

Brent continues to experience levels of unemployment and poverty higher than the rest of London. The unemployment rate in Brent was 4% in September 2019, lower than the London average of 4.6%. However, by June 2022 this had risen to 8.2% - significantly higher than the London average of 5.3%. 36% of people in Brent live in poverty, the second highest level in London; and 20% of residents are estimated to be earning below the Living Wage. Brent therefore has a large number of vulnerable people who are already financially challenged and who face further deprivations as a result of the cost of living crisis. According to the Council's own analysis the cost of living crisis is continuing to have a significant impact on the residents of Brent. The Council has committed to doing what it can to assist those in greatest need, in particular providing support via a Resident Support Fund (RFS) and a local Council Tax Support (CTS) scheme. The Brent Resident Support Fund (RSF) has been in place since August 2020. In the period August 2020 to January 2023, RSF has supported 6,940 households with a total of £12.2 million. 27,495 households are supported through CTS of which 18,923 are working age and 8,572 are pension age. Pension age residents are entitled to full Council Tax support depending on their income, savings and household composition. The total support given to households is around £32m per annum.

Service demand has continued to rise due to demographic changes which affect all age groups, with particular pressures on adults' and children's social care and the homelessness budget. The Council appointed a New Chief Executive in May 2023. Although this happened after the year under report we have where appropriate commented on any key changes in arrangements as a result of initiatives introduced by the new Chief Executive. Those new arrangements will of course be reported against in more detail in future reviews.

The Council was formed in 1965 and elections take place every four years, with currently 63 councillors being elected at each election. The Labour Party has been the largest single party on the council for about half its history and the Conservatives and the Liberal Democrats have each been the largest party at other times, and there have been several periods when no party has had overall control. Labour have been the administration since 2010 and as of the most recent elections in 2020, the council is composed of 59 labour councillors, three conservative councillors and one liberal democrat councillor.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium term financial planning

Whilst the position remains one of extreme pressure on Council's finances the Council demonstrates financial prudence in its approach. This is evidenced by the fact that budget to outturn variances in 2021/22 and 2022/23 were minimal and the Council achieved 93% of its targeted savings over that period as shown in Table 1 on page 10 of this report. The Council has set a revenue budget of £358.4m for 2023/24 a 9% increase overall compared to 2022/23. Planned savings of £13.5m represents 3.7% of net revenue.

There is little headroom in the budget given that the Council has not achieved 100% of planned savings in each of the previous two years. The Council undertook a series of scenario analyses and sensitivity analyses on various budget assumptions to develop a best case, mid-case and worst-case assessment. Savings targets are currently based on the Council's mid-case scenario plan. It would be prudent for the Council to also set out how it would address a budget shortfall based on its worst case scenario. An improvement recommendation has been made in this respect.

In July 2022, The Council agreed a revised Medium Term Financial Strategy (MTFS), outlining the financial framework for the financial years 2023/24 to 2024/2025. The programme forecasted a two-year savings target of £28m (£18m 2023/24 and £10m for 2024/25). In line with its reserves strategy the Council did not intend to utilise reserves to fund recurrent revenue expenditure.

A bid has been made to the Department for Education for the Council to build its own Childrens' Home. If successful this should help the Council manage growth challenges in the Children and Young Persons area caused by increased demand and placement costs.

The Council has embarked on an extensive Capital Plan to invest c£1,080m over 5 years, over the period 2023/24 to 2027/28. However £530m remains as pipeline provision and those schemes have not yet been approved within the current Capital Programme.

The cost of borrowing means that additional funding is required to service the Capital Programme. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31st March 2023 the Minimum Revenue Provision in the budget for 2023/24 has been set at £12.0m The Council has a General Fund Capital Reserve from which additional funds could be drawn. At March 2023 this reserve contained £58m.

At 31st December 2022, the Council held £781m of borrowing (£695.3m long term and £85.7m short term) and £116.2m of investments. The level of borrowing is within CIPFA Prudential Code limits.

Major capital projects include: South Kilburn Estate Regeneration (£63.1m over 5 years); Wembley Housing Zone redevelopment (£130m); Highways Capital Scheme Programme (£15m over 4 years); Integrated Street Cleansing and Waste Fleet (£21m); Special Educational Needs School Places (£44.2m); General Fund Housing development (£170m over 4 years); New Council Homes Programme (£265m over 4 years), and Fulton Road Housing (£85.6m).

This is an ambitious capital plan in the current economic climate however the Council is aware of this and is carefully monitoring and adapting its plans accordingly. The agreed capital programme reflects the broad aims of the Borough plan however the Council will need to ensure that the desire to achieve its Borough plan in the short term does not overly burden the financial position in the long term.

The Council's performance against key financial and performance metrics is set out in Table 1 on page 10 of this report.

Financial sustainability (continued)

Short and medium term financial planning (Cont'd)

The quarter 2 budget monitoring report 2023/24 has identified a potential adverse variance of £13.5m (3%) as a result of increased demand and costs relating to the provision of temporary accommodation to homeless persons. Given that this was a known risk at the time of setting the 2023/24 budget in February 2023 the Council should review how demand forecasts and future costs are estimated to identify any lessons to be learned for setting future budgets. An improvement Recommendation has been made in this respect.

Financial planning and strategic priorities

The Council has developed a Climate and Ecological Emergency Strategy 2022-2024 with a detailed delivery plan. The Budget Scrutiny Task Group raised concerns that the draft 2023/24 budget did not clearly align to the revised Borough Plan for 2023-27. In particular the strategic priority relating to climate change and its goal to be net zero by 2030.

We note that the Climate Strategy delivery plan contains the financial implications of each element of the plan, but only in general terms i.e. whether covered by existing budgets or external funding. There are no detailed costings for each element. Without detailed costings it is not clear how the Council is assessing the value for money achieved from each part of the plan. It is also good practice to consider what the costs or impacts would be if the Council didn't take the specified action. An improvement recommendation has been made in this respect.

We also note that the latest MTFS for the Council only runs to the 2024/25 financial year. We have made an improvement recommendation that the MTFS should cover the full period of the borough plan. This will bring transparency with regard to the financial implications of delivering against that plan.

Table 1. Performance against key financial metrics	2022/23	2021/22
Planned revenue expenditure	£312m	£305m
Actual revenue expenditure	£316m	£306.4m
Planned capital spend	£232m	£220m
Actual capital spend	£191m	£165.4m
Planned savings target (recurrent/non-recurrent)	£2.7m	£8.5m
Actual savings delivered (recurrent/non-recurrent)	£2.3m	£8.1m
Year-end cash position	£TBC	£136.4

Financial sustainability (continued)

Identifying savings

As a result of a more favourable local government settlement in December 2022 planned savings of £13.5m for the 2023/24 budget set in February 2023 are slightly lower than envisaged in the July 2022 MTFS where the Council had previously identified a need for a total of £18m savings in 2023/24. The identified savings for 2023/24 mainly related to efficiency savings including digital transformation. A small level of cuts to services as well as restructuring were also planned. Planned reductions in services included library stock reduction and streetlight dimming.

The Council is anticipating that further significant savings will be required in order to continue to balance the budget beyond 2024/25. The Council has provisionally assessed the gap across 2024/25 and 2025/26 as £8m but has caveated that with a +-20% margin of error which would mean the requirement could be closer to £10m.

The Council has a good track record in achieving set savings targets (93% of targeted savings in 2021/22 and 2022/23) . Overall the Council has delivered savings of £196m since 2010. However the savings of £13.5m required in 2023/24 represents a significant increase in the total savings set for 2021/22 (£8.5m) and 2022/23 (£2.7m). We feel that in setting its plans the Council should distinguish between those savings which are non-recurrent (i.e. only apply to one year) and those which are recurrent i.e. those savings will continue in future years. An improvement recommendation has been made in this respect. The Council is still not planning to utilise reserves to fund recurring budget gaps which means further cuts in services are likely to be needed as opportunities for further efficiency savings will have diminished.

The Council's Housing Revenue Account (HRA) has a savings target of £3.1m for 2023/24 in order to achieve a balanced budget. This compares to £0.5m efficiency savings achieved in 2022/23. Therefore the £3.1m looks highly ambitious at more than 6 times the savings achieved for 2022/23. Some of the identified savings opportunities such as reduced staffing (£0.9m) and a reduction in support services (£0.3m) may be easier for the Council to achieve, however the plans to reduce turnaround times on voids (£1.2m) and a reduction in contract costs (£0.7m) maybe more difficult to achieve. This will require close monitoring by the Council.

Each department monitors the delivery of planned savings, and mitigating actions where relevant, at its Department Management Team. A comprehensive Savings Tracker is reported to Council Management Team and to Cabinet.

	2023/24
Planned savings	£ 13.5m
Planned savings as a % of income	3.5%
Planned savings (recurrent/non-recurrent)	£100% recurrent
Planned saving schemes rated amber/green	£100%

Financial sustainability (continued)

Financial planning and other operational plans

The Council has an ongoing commitment to deliver 5,000 new affordable home in the borough by 31 March 2024, this includes the provision of 1,000 to be delivered directly by the Council. As of November 2022, 684 new homes had been delivered. Due to the ongoing need for affordable housing in Brent, the Council has committed to directly deliver an additional target of 700 new affordable homes by 31 March 2028 and was awarded £111m of grant funding from the Greater London Authority (GLA). The forecast capital investment on acquisitions and building new council homes in 2023/24 is estimated close to £140.2m. However it is likely that a number of schemes will need to be paused or re-evaluated as cost increases arising from inflation may make some schemes unviable.

The number of Brent schools experiencing difficulties in 2022/23 has increased with 67% projecting an in-year deficit. 23% of these schools' plan to use over 50% of reserves to balance their budgets in 2022/23. A number of Brent schools are also experiencing falling rolls and as a result have had significant reductions in funding. Alongside measures to support schools, such as capping admission numbers, the Council has established a School Place Planning Working Group to review the sustainability of provision in primary planning areas.

The overall Dedicated Schools Grant(DSG) outturn for 2022/23 was £210.6m, a surplus of £1.3m, against total grant funds of £211.9m for the year This in-year surplus is mainly driven by a £1m underspend against the Early Years Block due to the Department of Education's (DfE) in-year adjustment and a £0.3m surplus against the High Needs Block (HNB), a positive outturn for the HNB. The cumulative DSG deficit carried forward from 2021/22 was £15.1m. Under government regulations the surplus must be held in a separate fund which can be used to help balance future years' budget and therefore the carried forward defecit remains £15.1m. This is an improvement on the position envisaged at the time of setting the 2022/23 budget in February 2022 where the Council had estimated that the overall deficit would continue to increase.

In 2022/23 The Council was invited to participate in the DfE programme called Delivering Better Value (DBV) in Special Educational Needs and Disabilities (SEND) for local authorities which provided dedicated support and funding to help local authorities with HNB deficits reform their high needs systems. The first phase of the programme included a comprehensive diagnostic to identify root cause cost drivers, mitigating solutions or reforms and support in developing a quality assured Management Plan. The findings confirmed that in Brent, the increased expenditure leading to the deficit was fuelled by increases in the number of children with Education Health and Care Plans (EHCPs). It also confirmed that Brent had already taken steps via the existing Management Plan to identify mitigating solutions.

Following the discovery phase, Brent successfully bid for a £1 million grant to deliver the actions in the Management Plan. The funding is over 2023/24 and 2024/25 financial years.

Managing risks to financial resilience

The Budget papers presented to Cabinet in February 2023 contain a detailed assessment of financial risks. Since that time an additional risk with reinforced autoclaved aerated concrete (RAAC) has been identified nationally. The Council has undertaken a number of surveys of all buildings owned or maintained by the Council to determine the likely scale of the issue. Those surveys have found one school with confirmed RAAC presence and four schools with suspected RAAC issues. These schools are all academies and are not local authority schools so these are not a direct financial risk for The Council. Further surveys are being completed so the position on this is likely to change, and this is something we will be monitoring as part of our future VfM work.

There are other potential financial hurdles identified by the Council. These include:

- The current statutory override which prevents the need for the Council to fund the DSG deficit of £14m (as at March 2023) from General Fund reserves is due to be reviewed by the government in 2025/26. If the statutory override were to end then this would put strain on the Council's reserves, reducing the usable reserves' balance significantly.

Financial governance

Managing risks to financial resilience (Cont'd)

- There are potential reductions in funding regarding the government Homelessness Prevention Grant from 2025/26. Such a reduction would have an even greater impact due to rising demand in this area.
- The Council's environment contracts in Resident Services are due to be indexed for inflation in 2025/26. Current inflation levels mean that this could have a significant financial impact.

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The Council is aware of these risks and taking action accordingly. The Council's General Fund Reserve 31 March 2023 was £18m. At 5% of revenue budget this is in line with the Council's aim of maintaining 5% of net revenue. The Council plans to increase reserves further by 31 March 2024. The Council does hold further earmarked reserves to cover inflation risk (£10m) and Future Funding Risks (£6.1m).

Annual budget setting

Annual assumptions built into the budget include demographic growth, general inflation, contract inflation, pay inflation, as well as unavoidable service delivery changes. For 2023/24 the budget included £49m of such growth pressures from the 2022/23 base. As stated previously the Council undertook a series of scenario analyses and sensitivity analyses on various budget assumptions to develop a best case, mid-case and worst-case assessment. The budgeted growth was primarily based on taking the mid-case scenario. This growth was partially offset by planned increases in Council Tax and Business Rates as well as an overall increase in specific grants, predominantly the Social Care Grant where an increase of £8.6m was received.

In setting the budget for 2023/24 however the Council still envisaged a shortfall of £13.5m which it planned to address through identified savings.

A Budget Scrutiny Task Group (BSTG) assessed the impact of the draft budget proposals. That group was formed of six members from across the Council's two permanent scrutiny committees. The group operated under agreed terms of reference and received evidence from members, officers and other stakeholders including a focus group with key voluntary and community sector partners. The task group described itself as a 'critical friend' in the process.

The BSTG challenged the Council to consider how it could generate additional income from parks.

Equalities Impact Assessments (EIA) were undertaken on each individual element of the budget proposals. The BSTG recommended that a cumulative EIA be undertaken to assess the cumulative impact of budget decisions since 2018. We have made an Improvement Recommendation that a cumulative EIA should also include the assessed impacts projected over the full period of the MTFS.

Budgetary control

As reported in our 2021/22 Annual Audit Report the Council has strong budget monitoring arrangements involving Cost Centre Managers, Heads of Service and Directors with support from Finance Business Partners. Those arrangements have been further strengthened with the establishment of a Budget Assurance Panel (BAP).

The BAP met for the first time in September 2023 where it undertook a deeper dive into temporary accommodation and homelessness pressures. As well as scrutinising budget monitoring reports, the BAP will undertake deep dives into particular parts of the budget at each of its monthly meetings as well as scrutinising achievement of savings plans. Membership of the panel includes the Chief Executive (Chair); Corporate Director of Finance & Resources (Vice-Chair); Head of Internal Audit; Heads of Services and representatives covering Governance and Transformation.

Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability.
Whilst arrangements are deemed appropriate, we recognise that the ability to balance the revenue budget into the medium term will become increasingly difficult. We found that its financial planning both short term and longer term were based on sound judgements and the Council has a good track record in setting and achieving balanced budgets. It has identified and is responding to key financial risks to which it is exposed. There are further challenging decisions ahead for the Council requiring continued careful monitoring of its financial position.

We have made four improvement recommendations set out on pages 14 to 16.

Improvement recommendations

Improvement Recommendation 1	The Council should set out options for how it would plan to address any budget shortfall arising from its worst-case scenario planning. It would also benefit from specifying whether savings achieved are recurrent v non-recurrent savings in its plans and reporting
Improvement opportunity identified	To provide a headroom in its financial plan
Summary findings	The Council has historically achieved 93% of its savings target each year. Savings targets are currently based on the Council's mid-case scenario plan. The Council does not currently distinguish between recurrent and non-recurrent savings in its financial plans and reporting
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted
Improvement Recommendation 2	The Council's MTFS should cover the full period of the Borough Plan i.e. until 2026/27
Improvement opportunity identified	To ensure plans are fully costed and achievable
Summary findings	
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted

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Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3	The Council should undertake a cumulative Equality Impact Assessment (EIAs) covering the impacts assessed across the full life of the MTFS and establish review dates for all EIAs to monitor the actual impacts and adjust actions accordingly.
Improvement opportunity identified	To ensure the Equality Impacts are understood across the full life of the MTFS and are monitored and reviewed appropriately
Summary findings	EIAs are conducted on individual elements of the annual budget.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted and will be considered alongside the existing framework for conducting Equality Impact Assessments

Improvement Recommendation 4	The Council should specify detailed costings for each planned action in its Climate Strategy and compare these to the costs of not taking those actions.
Improvement opportunity identified	Detailed costing and comparisons will help determine the value for money of each element of the strategy
Summary findings	The Climate Strategy delivery plan contains the financial implications of each element of the plan, but only in general terms i.e. whether covered by existing budgets or external funding. There are no detailed costings for each element.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Detailed costings and financial appraisals are undertaken on all actions where necessary, but not published in strategy reports. Any future reports will provide additional details where relevant.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 5	The Council should review how demand forecasts and future costs are estimated to identify any lessons to be learned for setting future budgets.
Improvement opportunity identified	To improve the accuracy of the Council's financial projections
Summary findings	A potential adverse variance of £13.4m (5%) has been identified at the end of Q2 2023/24 as a result of increased demand and costs relating to the provision of temporary accommodation to homeless persons. This was a known risk at the time of setting the 2023/24 budget in February 2023.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted. The main cause of the forecast overspend is the provision of temporary accommodation. High levels of demand due to a rise in homelessness and a reduction in supply of suitable accommodation have combined to create significant pressures on the Council's budget. The rise in demand for housing services is a national issue, but is particularly acute in London. At the time of setting the budget for 2023/24, growth was built into the MTFS to account for a rise in demand that was being experienced in 2022/23. However, the pressures currently being experienced are unprecedented and the forecast in 2023/24 is beyond the worst case scenario modelling that was undertaken at the time of budget setting. If pressures are not reduced as a result of management interventions or further funding from government, consideration will need to be taken as part of the 2024/25 setting process.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

As at February 2023 there were 8 strategic risks listed on the strategic risk register. Five of those risks showed the risk as increasing with only one (Increased Demand from Migration and People Movement) showing a decrease in residual risk score. Two of the risks (Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit and a Lack of supply of affordable accommodation scored the maximum 25 on the Council's risk matrix. The Council has determined that this overall worsening of the risk environment is mainly attributable to the cost of living crisis.

As stated previously the Council has developed a Climate and Ecological Emergency Strategy 2022-2024 with a detailed delivery plan. There is no reference to the impacts on this strategy from any of the risks identified in the Strategic Risk register. If the Council does not consider that any of the existing strategic risks are relevant then it should assess whether a new specific risk should be added to the register. An improvement recommendation has been made in this respect.

In the Annual Governance Statement (AGS) the Council has identified "second line' gaps in controls, which includes the monitoring, reporting and challenge over 'first line' controls. The 'first line' is the provision of services and the application of an internal control framework to manage associated risks; and 'second line' responsibilities include the monitoring, reporting and challenge of the effectiveness of 'first line' functions. The same weakness was identified in 2021-22 and has still not been addressed. Effective second line controls are essential to effective risk management. The Council should address this risk without delay and we have made an improvement recommendation in this respect.

The Council's Internal Audit function was subject to an External Quality Assessment in January 2023. The conclusion of that assessment was that overall, the internal audit service is a well led, professional and respected service that adds value and provides evidence based, reliable assurance over the Council's governance, risk management and internal controls. It rated the service as generally conforms with the Public Sector Internal Audit Standards. This is the highest rating that can be given. A number of actions have been recommended and a detailed action plan developed. This plan includes a refresh of the Council's Risk Management Policy which has not been updated since June 2017.

Counter Fraud arrangements were strengthened in 2022/23 through agreement that the Council obtain full membership access to an Enhanced Internal Fraud Database (EIFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). The EIFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls. The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.

Governance (continued)

Informed decision making

The number of audits completed in 2002/23 was in line with previous years and provides reasonable coverage based on assessed risks. A summary of the annual audit work for 2022/23 against plan is provided in the Table 3 opposite.

The Council scores favourably in the Council Climate Plan Scorecard assessed by Climate Emergency UK with a score of 73%. It scores less well in measuring and setting emissions targets. Although this latter element was a low scoring area for most Councils it is perhaps an area of development for the Council to consider. An Improvement recommendation has been made in this respect.

For the South Kilburn Regeneration Programme external consultants were appointed to help identify the most appropriate method of procurement. Those consultants have been retained to advise on taken forward procuring a single delivery partner.

An Ofsted inspection of Children's Services in 2022 highlighted that services for children in care and care leavers have declined from outstanding to good from 2018 -2022. A key issue identified was reduced oversight in some areas of social work practice and challenges in recruitment and retention of staff. The Council has reviewed its recruitment and retention payments for children and young persons social workers as a result. The Council also agreed a new Workforce Strategy 2022-25 with aim to recruit, retain and reward a diverse, highly skilled, flexible and motivated workforce. Council Management Team receive reports on progress in achieving the outcomes of the new Workforce Strategy twice a year. It is too soon to assess whether these initiatives are having the desired effect and we will further monitor this in future VfM work.

Table 3 Summary of Internal Audit Activity 2022/23 (as at 30 April 2023)	Number	%
Audits included in 2022-23 plan	35	
Audits carried forward from 2021-22	14	
(Audits cancelled/deferred)	(9)	
Additional Audits added to plan	3	
Total Planned Audits for 2022-23	**43**	
- Completed	33	77%
- Draft Report Stage	3	7%
- Fieldwork completed	1	2%
- In progress	6	14%

Governance (continued)

Standards and behaviours

There were 53 complaints to the Local Government Ombudsman regarding Brent Council in 2022/23. Out of these 20 were upheld.

Out of those upheld, 8 related to the Council's housing department. In particular allocations and treatment of homeless persons. This has highlighted that homeless persons were not getting access to the housing register in an appropriate manner. As a result the Council is having to take urgent steps including changes to its policy in this respect.

There were 4 complaints made by members of the public regarding behaviour and standards of members of the Council. None of these complaints led to an investigation and all were dismissed as no breaches of the Member Code of Conduct.

Conclusion

The Council's performance against key governance metrics is set out in Table 4 below. In conclusion we have not identified any significant weaknesses in Governance arrangements. There is no evidence of concerns regarding standards and behaviours by either officers or members. The Council has taken steps to further improve arrangements for identifying and monitoring risks.
We have made four improvement recommendations set out on pages 20 to 21.

Table 4 Performance against key governance metrics	2022/23	2021/22
Annual Governance Statement (control deficiencies)	• second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls. • rate of implementation of 'medium risk' audit recommendations; and • absence and/or updating of policies and procedures.	• second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls
Head of Internal Audit opinion	Reasonable	Reasonable
Ofsted inspection rating	Good	

Improvement recommendations

Improvement Recommendation 6	The Council should consider how it can improve its Council Climate Plan Score for Measuring and setting Emissions Targets
Improvement opportunity identified	Setting and measuring effective targets will help the Council deliver against its Climate Strategy
Summary findings	The Council scores favourably in the Council Climate Plan Scorecard but scores less well in measuring and setting emissions targets.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted
Improvement Recommendation 7	The Council should develop a plan for how it will address the second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls .
Improvement opportunity identified	Improvements in second line control monitoring is an essential element of an effective system of internal controls
Summary findings	The AGS identifies "second line' gaps in controls, which includes the monitoring, reporting and challenge over 'first line' controls.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This issue has previously been reported by Internal Audit in both 2021-22 and 2022-23. Internal Audit continue to monitor this and report progress to ASAC as part of its regular updates. This will also be monitored by the Brent Assurance Board, Chaired by the Chief Executive.

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Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 8	The Council should review the strategic risk register to assess if risks to its Climate Strategy are adequately addressed.
Improvement opportunity identified	To ensure all strategic risks impacting on the Council's Climate Strategy are identified
Summary findings	There is no reference to the impacts on this strategy from any of the risks identified in the Strategic Risk register.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This risk is currently managed at departmental level. Consideration will be given to escalating this to the Strategic Risk Register if/when the risk score exceeds set thresholds.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

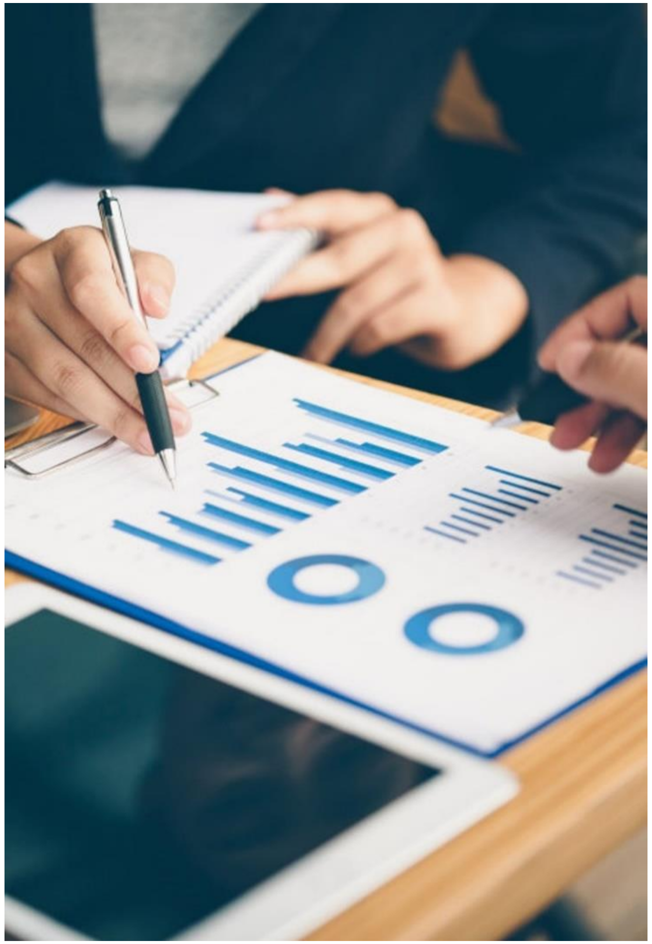
Use of financial and performance information

The Council makes effective use of financial and performance data. As already mentioned, a new Borough Plan 2023-2027 was approved in March 2023. As a result the Council is currently reviewing its performance monitoring reports to reflect the new plan. A new Performance Management Framework (PMF) has been approved by the Council Management Team (CMT) and this sets out the new arrangements for corporate performance reporting and monitoring. The framework has been developed in the context of the formation of the Office for Local Government (Oflog) part of the Department for Levelling Up, Housing and Communities (DLUHC) tasked with providing authoritative and accessible data and analysis about the performance of local government and support its improvement.

The Council's new Performance Management Framework has been designed to align with Oflog reporting to ensure the data used by Oflog is effectively monitored locally. A balanced scorecard has also been developed which is also aligned to the Oflog reporting as well as the Council's strategic risk register. A Balanced Scorecard provides a holistic view of metrics that gauge performance over the four areas (or 'perspectives') most relevant to the organisation's vision and strategy. The four areas identified by the Council are: Finance; Customer; Internal and Learning Growth and Culture.

The new reporting arrangements will be implemented by the end of 2023 and their effectiveness will be considered as part of our 2023/24 value for money audit. We note the intention that the new Key Performance Indicators (KPIs)will be aligned to the Strategic Risk Register however it is not clear how the risk register will be reviewed and refreshed to take account of actions arising from the monitoring of Council performance. We have made an improvement recommendation in this respect.

Corporate directors are responsible for ensuring that their departments have effective processes in place for recording data in accordance with the council's Data and Insight Strategy 2023/27 and central performance reporting system (SPINE). Data quality 'spot-checks' will be undertaken by the Corporate Performance Team. Any concerns identified will be fed-back to the appropriate data-owner.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The new Performance Management Framework has a clear line of sight from the Borough Plan down to individual performance as shown in the diagram below:

Performance Management Framework

Partnership working

The Council works collaboratively and effectively with a number of voluntary sector organisations; multi faith groups as well as other public bodies such as NHS bodies and the Metropolitan Police. It is not always clear however what specific monitoring measures are in place to determine the success of such partnerships. An improvement recommendation has been made in this respect.

Examples of such partnership working include:

- In response to the risk that a sustained increase in migration and movement of people could result in increased demand on the Council's critical front-line services and also impact on the wider cohesion of the community, a multi-agency migration coordination working group has been set-up. This includes officers from strategy, housing, public health, community protection, looked after children and legal services, as well as Brent NHS and the Metropolitan Police. Meetings have also been called with the multi-faith forum and the voluntary sector. No specific outcome measures have been established to monitor the impact of these arrangements.
- The Council entered into a partnership arrangement, under Section 75 of the National Health Service Act 2006, in respect of delivery of the approved Better Care Fund Plan with North West London Integrated Commissioning Board for 2023/24 and onwards. In considering the report, members noted the innovative approach to the use of the Better Care Fund within Brent as part of a process of well-established collaboration and joint working between the Council and local health services through the Integrated Care Partnership. No specific outcome measures have been established to monitor the impact of these new arrangements.
- The Council has agreed to lease out buildings to various voluntary and community groups at less than market rate in return for added social value. How social value will be assessed and whether this achieves value for money in terms of the lost rent received has not been defined. In this context it may be helpful for the Council to adopt the Social Value measurement methodology used in its Contract Management.

Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

- The West London Alliance (WLA) is a public sector partnership between seven West London local authorities of Barnet, Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow. Priority areas of focus include social care and housing as well as the local economy. It is governed by the Leaders of each member Council and a Chief Executives' Board. Day to Day programme management is through representative Directors from each Council. It is not clear how the impacts from this work and value for money achieved is assessed by the Council.

Commissioning and procurement

As referenced in the partnership working section of this report, the Council has developed a framework for assessing the Social Value provided by suppliers under its Contract Management arrangements. Evidence of this is also sought as part of Contract Management audits. This work will be of value to the partnerships team who are looking to develop similar assessments for partners.

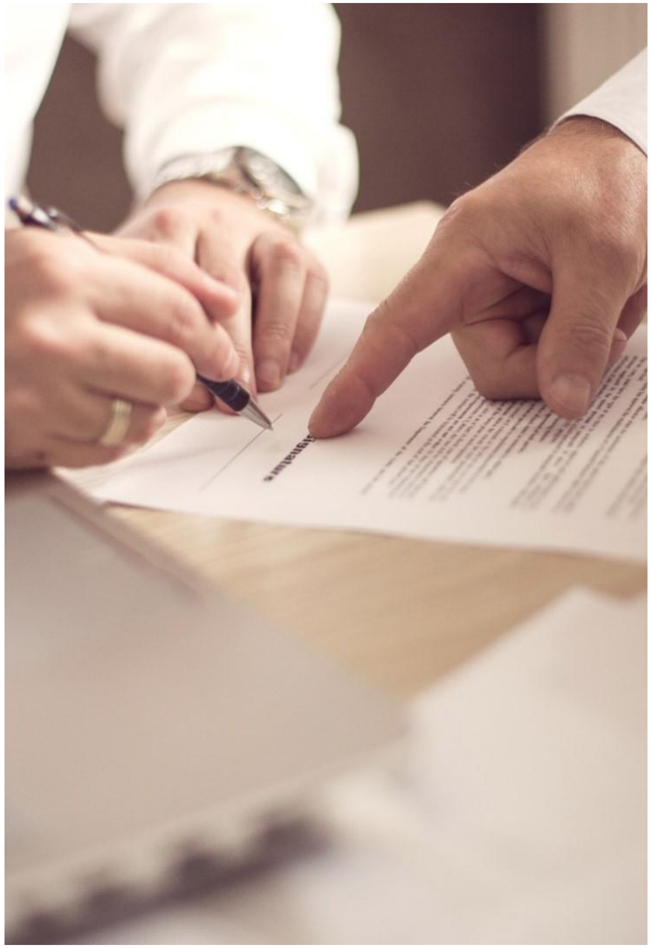
Commissioning and Procurement arrangements have been further strengthened throughout 2022/23. In particular:

- A new 'Gateway 4' process has been agreed to work with the Directorates to review commissioning intentions to determine if there are any opportunities through decommissioning, economies of scale or savings that can be delivered to support council objectives for contracts that require re-procuring for contracts up to Mar 24. All contracts that require a Gateway 4 are presented at the Commissioning and Procurement Board for comments and agreement. It is not clear how total savings or efficiencies achieved as part of this process will be tracked and reported. An improvement recommendation has been made in this respect.
- All Strategic Contracts have been identified in a Strategic Contract Register approved by CMT. This will enable better proactive management of the renewal of those contracts.
- All other contracts are now recorded in a central contract register that will be updated as new contracts are signed. Each Directorate is provided with their extract to review and provide feedback on the accuracy of the detail kept. Further reconciliation of the Contracts register and Online register has been undertaken by the Central procurement team to ensure all the contracts published online are on the Contracts register. Additional work on supplier spend above £500k is to be conducted to reconcile against the Contract register to identify if there is a current compliant contract and if not on the register, locate and add to the register. If there is no contract then a procurement process will be undertaken to ensure the Council is delivering services in a compliant manner.

Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council improves economy, efficiency and effectiveness. The Council makes good use of performance and financial information in order to review and improve its systems, processes and services. These arrangements have been further enhanced recently following the arrival of the Council's new Chief Executive. The Council works collaboratively with a number of key partners, including voluntary sector organisations, local community groups, multi faith groups and other public sector organisations such as the NHS and Metropolitan Police.

We have made three improvement recommendations set out on pages 25 to 26.



Improvement recommendations

Improvement Recommendation 9	The Council should review how it measures and monitors the success and value for money achieved from partnership working initiatives.
Improvement opportunity identified	To ensure the Council is achieving value for money from these arrangements
Summary findings	It is not always clear however what specific monitoring measures are in place to determine the success of such partnerships
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted

Improvement Recommendation 10	The Council should agree a process by which the strategic risk register is updated to reflect actions and issues arising from the monitoring of performance and financial data.
Improvement opportunity identified	To ensure there is effective feedback from performance into the management of risks
Summary findings	The newly developed KPIs will be aligned to the Strategic Risk Register however it is not clear how actions arising from the monitoring of Council performance will then feedback and inform review of the risk register.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This is something that has been newly introduced and is a best practice/notable practice process (not many other Council's directly link performance KPIs to the Strategic Risk Register). These will effectively serve as KPIs in the risk register

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 11	The Council should review how it measures and monitors the success of the new 'Gateway 4' procurement process
Improvement opportunity identified	It is important to monitor how the Gateway 4 process is helping the Council to achieve value for money
Summary findings	It is not clear how total savings or efficiencies achieved as part of this process will be reported.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Savings and efficiencies that can be delivered from the Gateway 4 process will be recorded and followed up by Procurement with evidence of delivery obtained from the Service and reported to the Commissioning and Procurement Board.

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Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should continue to review the reasons for procurement related delays to the Capital Programme to identify any lessons learned	Improvement	February 2023	Any delays in the delivery of the Capital Programme are reported to the internal Capital Programme Board and the Cabinet quarterly.	Yes	No
2	The Council should continue to ensure that assumptions made about future yield from commercial property remain cautious.	Improvement	February 2023	The property strategy sets out the overarching framework for how these assets are managed.	Yes	No
3	The Corporate Risk Register impact matrix should include legal and regulatory impact assessments	Improvement	February 2023	The legal and regulatory impacts form part of the 'Reputation' and 'Financial' assessments to any risks on the Risk Register	Yes	No
4	The Council's Audit and Standards Advisory Committee (ASAC) should ensure timely implementation of the CIPFA Financial Management code requirements.	Improvement	February 2023	Outputs from this work are regularly reported to Cabinet as part of updated to the Medium Term Financial Strategy. Given the current financial challenges, a report to ASAC committee is planned for early 2024	Yes	No
5	The Council should regularly review the governance arrangements relating to its subsidiary companies to ensure they are operating effectively	Improvement	February 2023	Reports to the Shareholder/Guarantor, as well as the annual business planning process and reports to the Audit and Standards Advisory Committee provide information to enable the Council to gain assurance of the operation of the companies.	Yes	No
6	Improvements to performance management should be made to include: The 'direction of travel' should be included on performance reports at individual KPI level; Benchmarking data should be utilised to benchmark service performance, and the report narrative should include relevant financial performance information	Improvement	February 2023	A new Performance Management Framework and Balanced Scorecard approach, including corporate level KPIs, KPIs for the Borough Plan and benchmarking has been agreed and due to go live in Q4.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7	The LGA Digital Ltd business plan should be reviewed to identify the key financial deliverables to the Council as well as a longer term strategy to determine how value for money will be achieved	Improvement	February 2023	A new business plan was agreed by the board in July 2023	Yes	No
8	Arrangements for the Procurement Function to provide oversight of Contract Management compliance should be improved	Improvement	February 2023	The Annual Procurement Strategy, which includes the Strategic Contract list, is planned to go to Cabinet in November and then annually thereafter.	Yes	No
9	Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole	Improvement	September 2021	The Council has raised this with Mod.Gov and this requirement is not within their product offering. The service is considering an alternative way of presenting this information.	No	Yes
10	The Council should consider including an analysis which benchmarks its performance against that of other authorities, both in its internal management information and in its corporate performance scorecard. implications for the Council	Improvement	September 2021	The benchmarking information was made available to members as part Budget Challenge meetings for the 2023/24 and 2024/25 budget setting process.	Yes	No
11	Routine reporting of services provided by external contractors should be included in the information provided to and reviewed by those charged with governance.	Improvement	September 2021	The Annual Procurement Strategy, which includes the Strategic Contract list, is planned to go to Cabinet in November and then annually thereafter.	Yes	No

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Council's financial statements on 12 October 2023.

The full opinion is included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Opinion on the financial statements

Timescale for the audit of the financial statements

- The Audit Plan was issued to the Audit and Standards Committee on 18 July 2023.
- Our audit work was completed remotely during July-September.
- The Council provided draft financial statements in July line with the national timetable
- The Council team worked constructively with the audit team to ensure that audit evidence requested were provided on time and of sufficient quality. There was clear and open communication between the audit team and the Council officers which ensured that the audit process went smoothly.
- The opinion on the financial statements will be issued on 12 October in line with the national timetable

Findings from the audit of the financial statements

We have shown on slides 31-34 the finds on the significant risks on the financial statement audit

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Standards Committee on 26 September 2023. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • reviewed and tested transfers between the General Fund and HRA and inter group journals During our work on journals, we identified The Council posted approximately 25,000 journals with a total value of £22 billion during the year. A total of 37 employees can raise a journal, and 22 employees can approval a journal. We considered the number of people posting journals to be high and we raised a control point for management to reduce the total number of people who post journals. We observed the download of the GL for each month and the size of the November GL was considerably larger than the other months due to Council tax direct debit journals for April up to October were all created in November. We recommended to management that the Council creates these entries as close to the month they relate to as possible prevent this issue in following years.

Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions (rebutted)	We rebutted the presumed risk of fraud in revenue, and such there is no specific work planned for this risk. There are no changes to our assessment reported in the audit plan. In order to get assurance over revenue, we have ; • selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy and occurrence, and completeness • inspected transactions which occurred in the year and ensured that they have been included in the correct year. • confirmed our understanding of the business process and determined if there were any relevant controls. We identified a misclassification of a grant of £6.1m as a ring-fenced grant instead of a non-ring-fenced grant. We recorded this error under the adjusted misclassification/ disclosure error in the Audit findings report.

Valuation of land and buildings
The council re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size and numbers involved (£1,097.8m) as at 31st March 2023 and the sensitivity of the estimate to key changes in assumptions.
Additionally, management needs to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work.
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	    • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the Valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	Our audit work on Valuation of land and building is still in progress. Our work to date has not identified any matters which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.

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Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan	Commentary

Valuation of Council Dwellings
 	
The Council owns 8220 dwellings as 31 March 2023, and it is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar types.
 	
The Council performed a full revaluation of its properties in the prior year. For 2022/23, the Council engaged the Valuer (Wilks, Head and Eve) to perform a market review from 01 April 2022 to 31 March 2023. The Council used the indexes in the market review report to carry out indexation on the full council dwelling properties from 01 April 2022 to 31 March 2023. The valuation of the properties after indexation for 22/23 is £827.8m. This represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions.
 	
We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate;
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	    • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	
	Our audit work on Valuation of Council Dwellings is still in progress. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.

Fraud in expenditure recognition (Completeness of Non-Pay expenditure) In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.	We have : • Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compared size and nature of accruals at year to the prior year to help ensure completeness. • Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. • Evaluated the accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set, • Gained an understanding of your system for accounting for non-pay expenditure and evaluated the design of the associated controls, • obtained and tested a listing of non-pay payments made in April and May 2023 to ensure that they have been charged to the appropriate year. Our audit work has not identified any issues in respect of the completeness of non-pay expenditure.

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Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£262m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the process and controls put in place by management to ensure that the council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • assessed the competence, capabilities, and objectivity of the actuary who carried out the council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • tested the consistency of the pension fund asset and liability and disclosure in the note to the core financial statement with the actuarial report from the actuary. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedure suggested within the report. We noted an error where the "other experience of" amount £53.2m was not disclosed in the draft accounts, however, the total net pension fund liability was disclosed correctly. We have recorded this error under the adjusted misclassification/ disclosure error in the audit findings report. Our work is substantially complete subject to receiving the IAS 19 assurance letter from the pension fund auditor. We will update the Audit and Standards Committee following the completion of our work.

Other reporting requirements

Other opinion/key findings

We are required to report on a number of matters by exception in a number of areas:

- if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,
- if we have applied any of our statutory powers or duties.
- where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.

We have nothing to report on these matters.

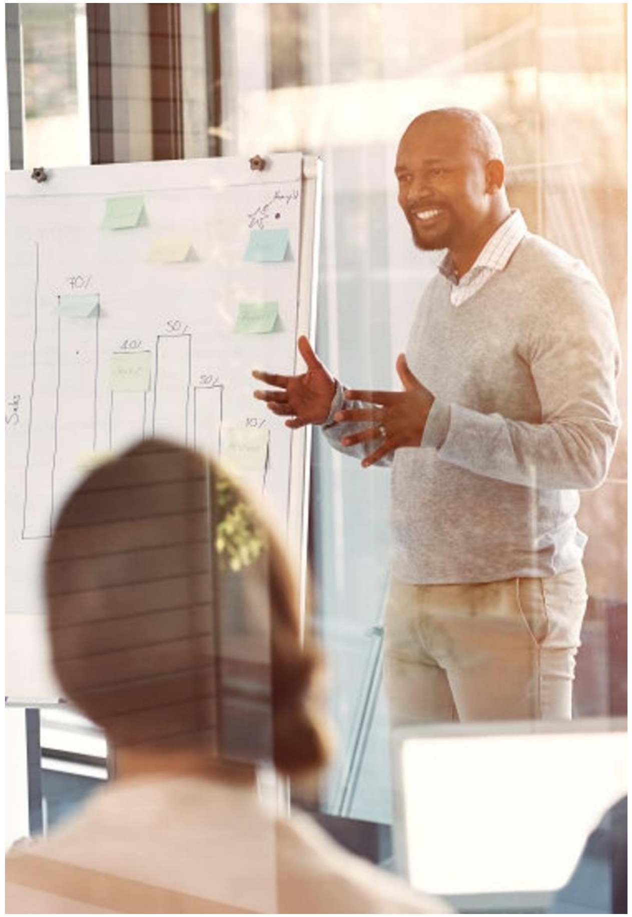
Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 26 September 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The London Borough of Brent does not exceed the threshold.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

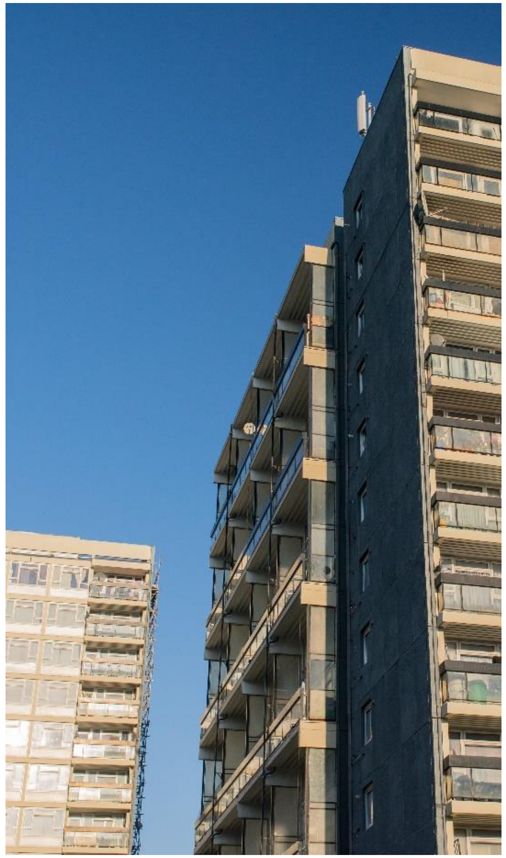
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	14-16 20-21 25-26

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