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Brent

Supplementary Agenda - Audit and Standards Committee

Wednesday 10 July 2019 at the rising of the Audit and Standards Advisory Committee meeting
Boardrooms 7&8 - Brent Civic Centre, Engineers Way, Wembley HA9 0FJ

Membership:

Members	**Substitute Members**
Councillors:	Councillors:
A Choudry **(Chair)**	S Choudhary, Colacicco, Kabir, Lo and Perrin
Donnelly-Jackson	
Hassan	Councillors:
Long	
Naheerathan	Colwill and Maurice
Nerva	
Kansagra	

For further information contact: Kunwar Khan, Governance Officer
Tel: 020 8937 2037; Email: kunwar.khan@brent.gov.uk

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www.brent.gov.uk/committees

The press and public are welcome to attend this meeting

recycle for Brent

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; and
- Whose principal purposes include the influence of public opinion or policy (including a political party of trade union).

(b) The interests 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.

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The Committee is asked to review the report to those charged with Governance from the External Auditor and:

- consider the key issues and recommendations;
- consider the corrected audit differences;
- approve the statement of accounts; and
- approve the letter of representation to the External Auditor.

(an updated statement of account would be released before the meeting).

Ward Affected: All Wards

Contact Officers: Minesh Patel, Director of Finance
020 8937 4043, Minesh.Patel@brent.gov.uk

Ben Ainsworth, Head of Finance
020 8937 1731, Benjamin.Ainsworth@brent.gov.uk

Sophia Brown and Paul Dossett, Grant Thornton.
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- 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.

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Brent	**Audit and Standards Advisory Committee** **10 July 2019** **Report from the Director of Finance**

Statement of Accounts 2018/19 and External Auditor's Report

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
No. of Appendices:	1. ISA 260 2. Letter of Representation
Background Papers:	
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043, Minesh.Patel@brent.gov.uk Ben Ainsworth, Head of Finance 020 8937 1731, Benjamin.Ainsworth@brent.gov.uk

Summary

1.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the "report to those charged with governance" also referred to as the ISA260 report. The Council's external auditors, Grant Thornton, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the findings from the value for money conclusion for the year.

1.2 At the time of writing this report Grant Thornton are in the process of completing the audit of the 2018/19 accounts and their ISA260 report, reflecting the current position, will follow and become Appendix 1 to this report. Based on the current

position Grant Thornton intends to give unqualified opinions on the Council and Pension Fund accounts and a clear value for money conclusion.

1.3 Representatives from Grant Thornton will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

2.0 Recommendations

2.1 The Committee is asked to:

Review the report to those charged with Governance from Grant Thornton and:

- consider the key issues and recommendations;
- consider the corrected audit differences;
- approve the statement of accounts; and
- approve the letter of representation to Grant Thornton

3.0 Detail

Statement of Accounts

3.1 The draft statement of accounts for 2018/19 was published on the council's website on the 24th May, a week before the deadline required by statutory regulation. This timescale is a week earlier than last year and has required the council to both shorten its processes and make more use of estimation to produce the accounts on time.

3.2 The audit of the accounts commenced in June, and needs to be completed by the 31st July. At the time of writing, the plan is that the audit fieldwork will be substantially complete on onsite on 5 July. The auditors will then complete closing procedures and final reviews with a view to sign off the audit soon after Audit Advisory Committee meeting on 10 July.

3.3 The attached ISA260 report sets out the anticipated results of the audit with the following key points being:

- Unqualified audit opinion;
- the Authority has made proper arrangements to secure economy; and efficiency and effectiveness in its use of resources.

3.4 As a result of the audit a number of adjustments to the accounts have been agreed by council officers and Grant Thornton. These are shown in section X of the auditor's report.

3.5 As might be expected in the first year of an accelerated timetable to close the accounts, there are a number of recommendations from Grant Thornton for how the process can be improved in future years. Officers will be putting these recommendations into effect with a revised plan for closing the 2018/19 accounts.

Publication of Statement of Accounts

3.6 The Council is required to publish the 2018/19 accounts by 31 July 2018. Once approved, the statement of accounts will be published on the Council's website.

3.7 Once the audit has been completed a Letter of Representation needs to be signed prior to Grant Thornton issuing an audit opinion. A draft letter, setting out confirmation from the Council regarding the financial statements and information provided as part of the audit process, is attached as Appendix 2.

4.0 Financial Implications

4.1 There have been some adjustments to the Statement of Accounts during the course of the audit. None of these have impacted on the medium term financial position of the Council.

5.0 Legal Implications

5.1 No specific implications.

6.0 Equality Implications

6.1 No specific implications.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable

Report sign off:

Minesh Patel
Director of Finance
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Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

5 July 2019

Dear Sirs

Brent Pension Fund
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of the Brent Pension Fund ('the Fund) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

xv. We have communicated to you all deficiencies in internal control of which management is aware.

xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 10th July 2019**.**

Yours faithfully

Name……

Position…….

Date……..

Name……

Position…….

Date…….

Signed on behalf of London Borough of Brent as administering body of the Brent Pension Fund

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Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

Dear Sirs

London Borough of Brent Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Brent and its subsidiary undertakings, First Wave Housing Ltd, Barham Park Trust, I4B Ltd and LGA Digital Services for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

i. We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and

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properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.

xiii. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xv. We have communicated to you all deficiencies in internal control of which management is aware.

xvi. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

xvii. We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the group and parent Council financial statements.

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xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.

xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi. We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 10 July 2019.

Yours faithfully

Name……

Position……

Date……

Name……

Position……

Date……

Signed on behalf of the Governing Body

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The Audit Findings for the London Borough of Brent

Year ended 31 March 2019

5 July 2019

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Appendices

A. Action plan

B. Audit adjustments

C. Fees

D. Audit Opinion

Your key Grant Thornton team members are:

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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 expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Brent ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

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 on site during June and July. Our findings are summarised on pages 5-17. We have identified four adjustments to the financial statements that have resulted in a £96.4m adjustment to the Council's Comprehensive Income and Expenditure Statement which does not impact on the General Fund position. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, Appendix D, or material changes to the financial statements, subject to the following outstanding matters: - **PPE revaluation and reclassifications** – our work is in progress and we await management responses to queries raised; - **Welfare expenditure** – we await evidence to support the Northgate system software updates have been correctly applied; - **Operating expenditure** – we await evidence to support one sample for controls testing of new supplier bank set up; - **Creditors** – we have extended our unrecorded liabilities testing by one month to cover May 2019 – we await one sample for bank payments; - **Operating revenue** – in our revenue cut off sample for May 2019 we identified one potential error and are working with management to assess the impact; - **Cash** – we are awaiting two school bank account confirmations; - **PFI** – our work is in progress; - Our work is in progress in relation to specified procedures for Whole of Government Accounts; - Receipt of management representation letter; 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 audit report opinion will be unmodified.

Headlines – continued

Value for Money arrangements	**Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').**	We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 22-25.
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. We await certification of the prior year accounts for 2017/18, 2017/16 and 2015/16 by your predecessor auditor. KPMG issued their final view on 1 July and the objector has a 21-day appeal period to appeal the decision not to apply for a for a declaration under section 28(3) of the Local Authority and Accountability Act 2014. We are unable to issue our completion certificate until this objection is resolved and the three previous years of account are certified.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

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 have been discussed with management.

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's 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 each component and to determine the planned audit response. From this evaluation we determined that analytical reviews were required as part of our audit of the London Borough of Brent for i4B, FWH, Barham Park Trust, and LGA Digital Services;
- Controls testing of the Council's accounts payable system; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 5 February 2019.

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 10 July 2019, as detailed in Appendix D. These outstanding areas are listed on page 3.

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.

	Amount
Materiality for the financial statements	£20m
Performance materiality	£15m
Trivial matters	£1m

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**The revenue cycle includes fraudulent transactions (rebutted)** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	**Auditor commentary** We rebutted the risk at the planning stage of our audit. No circumstances arose that indicated we would need to reconsider this judgement. **Findings** There are no issues to bring to your attention.
2	**Management over-ride 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 Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We identified management over-ride of controls as a risk requiring special audit consideration.	**Auditor commentary** 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 accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and – Evaluated the rationale for any significant changes in accounting policies, estimates or significant unusual transactions. **Findings** There are no issues to bring to your attention.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of land and buildings (Rolling revaluation)** The Authority revalues its land and buildings on a rolling five-yearly basis with a proportion of the asset base being revalued each year. The Authority engages the services of external valuation experts. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1,636m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified 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.	**Auditor commentary** We have: – Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work (refer also to our detailed review of estimation process in key judgements and estimates section on pages 10-11); – Evaluated the competence, capabilities and objectivity of the valuation expert; – Discussed with the valuer to confirm the basis on which the valuation was carried out; – Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and – Tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; – Sample testing of beacon properties in the HRA; and – Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. **Findings** Our work in this area is in progress.
4	**Valuation of the pension fund net liability** The pension fund net liability, as reflected in the Authority 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 and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	**Auditor commentary** We have: – Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls (refer also to our detailed review of estimation process in key judgements and estimates section on pages 12-13); – Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; – Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; – Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; – Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary

4 **Valuation of the pension fund net liability**
- Continued
	– Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PwC (as auditor's expert) and performing any additional procedures suggested within the report. This has included:
	  – Review of the scope of the actuary's work;
	  – Review of the source data provided to the actuary to confirm its validity and completeness;
	  – Performed checks on accounting policy disclosures in relation to IAS 19;
	  – Reviewed the duration of liabilities of the Council to ensure assumptions used are appropriate to the asset and liability profile of the authority;
	  – Reviewed if there are any departures from the actuary's recommended assumptions – none noted; and
	  – Performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over roll-forward valuation.
	Findings
	Our audit work identified that the Council used the provisional figure for its pension fund net liability of £829.3m, issued by its actuary in January 2019, in compiling the draft statement of accounts (Note 8 Long term liabilities). The actuary's final report issued in May 2019 has a revised pension fund net liability of £918.7m. We understand the Council used provisional figures for the pension fund net liability in drafting its statement of accounts for early closedown. Where the year end actual figure is materially different to the provisional figure used we ask the Council to revise its position. The Council will amend this difference in its revised 2018/19 Statement of Accounts, refer to Appendix B for the adjustment.
	In the 'Significant findings – other issues' on page 9 we set out the potential impact of the McCloud judgement on the pension fund net liability.

Significant findings - other issues

Issue	Commentary	Auditor view
Potential impact of the McCloud judgement The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.	Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £7m, and an increase in service costs for the 2019/20 year of £6.88m. Management's has adjusted the 2018/19 Statement of Accounts to incorporate this revised actuarial valuation.	We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as an adjustment within Appendix B.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals - £8.2m	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. In 2018/19 the provision is £8.2m, an increase of £2.4m from the prior year. Part of the reason for this increase is that in 2017/18 the Council's NNDR appeals provision was centrally pooled with Central Government and the GLA, and Brent's share of this was 30% of the pool. This year the total NNDR appeals provision is £12.8m and this is split between the Council (64%) and the GLA (36%).	The draft Statement of Accounts did not include an accounting policy for the NNDR appeals provision. Management has included an appropriate accounting policy in the revised Statement of Accounts.	Amber
Land and Buildings – Council Housing - £602.2m	The Council owns 7,751 dwellings 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 has engaged its valuer, Wilks Head & Eve LLP, to complete the valuation of these properties. The year end valuation of Council Housing was £602.2m, a net decrease of £35.6m from 2017/18 (£637.8m). There was also a net reduction of 346 dwellings between 2017/18 to 2018/19 in relation to Right-to-Buy sales, regeneration programmes and transfer of dwellings from the HRA to the General Fund to be used for temporary accommodation.	• The Council's valuer Wilks Head & Eve LLP last valued the entire housing stock on 1 April 2016 using the beacon methodology. For 2018/19 the valuer reviewed market changes from 1 April 2018 to 31 March 2019 to correctly state the value of the HRA stock held by the Council during the financial period in current terms. Market reviews have been provided to the Council each financial year since the last full valuation. • We have assessed the Council's valuer, Wilks Head & Eve LLP, to be competent, capable and objective. • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • The valuation method remains consistent with the prior year. • We have carried out sample testing of beacon properties and have no issues to report. • The estimate is consistent against valuation trends of similar properties (Gerald Eve report) with house prices for London council dwellings having growth of -1.9%. We therefore are satisfied that the 2% decrease in the estimate for 2018/19 is reasonable. • We have agreed the HRA valuation report to the Statement of Accounts.	Green

Assessment

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £798.6m	Other land and buildings comprises £564.2m 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 (£233.5m) 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 to complete the valuation of properties as at 1 April 2018 on a five yearly cyclical basis. 47% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £96.4m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2018, based on the market review provided by the valuer as at 31 March 2019, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value. The total year end valuation of other land and buildings was £374.9m, a net increase of £108.2m from 2017/18 (£266.7m).	• We have assessed the Council's valuer, Wilks Head & Eve LLP, to be competent, capable and objective. • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • The valuation method remains consistent with the prior year. • We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate. • We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts.	Green

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £918.7m	The Council's net pension liability at 31 March 2019 is £918.7m (PY £841.8m) comprising the London Borough of Brent Local Government Pension Scheme. 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 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £76.9m net actuarial loss during 2018/19.	• 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 2018/19 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:	Green

Assumption	Actuary Value	PwC comments	Assessment
Discount rate	2.40%-2.50%	Assumption is reasonable and towards the more optimistic end of expected ranges	Amber
Pension increase rate	2.50%-2.40%	Assumption sits towards the middle, slightly towards the higher, more prudent end of expected ranges	Green
Salary growth	1.00% to 2020	In line with public sector pay caps	Green
Life expectancy – Males currently aged 45 / 65	Pensioners: 21.5-22.8 Non-pensioners: 23.7-24.4	Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges	Green
Life expectancy – Females currently aged 45 / 65	Pensioners: 24.1-25.1 Non-pensioners: 26.2-26.9	Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges	Green

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – continued		• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. • We have confirmed there were no significant chances in 2018/19 to the valuation method. • We conducted an analytical review to confirm reasonableness of the Council's share of LPS pension assets. • Reasonableness of increase in estimate – per the comments raised on page 8 in relation of use of the provisional IAS 19 estimate in preparing the draft Statement of Accounts we conducted our work on the final estimate issued by the actuary in May 2019. Our work confirms that the increase in the IAS 19 estimate is reasonable. • The disclosure of the IAS 19 estimate in the Statement of Accounts will be revised to the final position issued by the actuary in May 2019.	Green

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

Significant findings – 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	
1	Significant events or transactions that occurred during the year – discussions in relation to the Council's arrangements for Brexit	We held discussions with the CFO around the Council's arrangements for Brexit: • In November 2018 Full Council received a report on the Implications of Brexit, reviewing impact on: workforce; value of sterling; housing prices; business rates; construction and regeneration; and funding. • The Council held public meetings in January and March 2019 for EU nationals about Brexit, for Q&A session and to share information about the EU settling scheme. • The Council held a Brexit Support Session in April 2019 for local businesses designed to help them be more resilient to risks associated with changes to our relationship with the EU following Brexit. • The Council has a Brexit Risk Assessment which outlines the key risks for the Council in relation to Brexit along with mitigating actions identified to manage and reduce the impact of each risk.	**Auditor view** The Council has made good progress with Brexit preparations. Councillors are very keen to understand the implications on the Council and the services it provides. The Brexit Risk Assessment allows the Council to have an overview of the key risks of Brexit to Brent and the mitigating actions required to manage and reduce the impact of each risk. Brent also has actively engaged with residents and local businesses, providing a forum to share information and to facilitate Q&A sessions. **Management response** The Council will continue its preparations for Brexit.

Significant findings – Going concern

Going concern commentary

Management's assessment process

The Council's accounts have been prepared on the going concern basis. Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

Auditor commentary

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).

We have subjected the 2019/20 budget and MTFS to 2021/20 to detailed scrutiny, and reviewed the planned savings proposals for 2019/20 and 2020/21 in our consideration of the appropriateness of management's use of the going concern assumption.

In 2019/20 the Council expects to overspend by £0.2m against the General Fund budget. This overspend relates to historic care costs within Adult Social Services. A £0.4m overspend is forecast within the HRA relating to delays implementing the Customer Relationship Management system. Additionally, Children and Young People (Dedicated School Grant) forecasts to overspend by £2m in relation to an increase in demand with High Needs Education. However, the Council's reserves position is strong and financially, it is one of the better placed London boroughs. Refer to detailed findings on pages 22-25 of this report.

Conclusion

The Council's reserves position is strong. At 31 March 2019 the Council's total usable reserves stood at £368.3m – refer to page 24 of this report for a more in-depth analysis of this balance. Brent is in a much stronger position than virtually all other London boroughs. The Council is also able to look to PWLB borrowing with a Capital Financing Requirement of £687.6m and current borrowing levels at £400m this gives additional headroom of £287m for future borrowing.

We have not identified any material uncertainty about the Council's ability to continue as a going concern.

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.

	Issue	Commentary
1	**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.
2	**Matters in relation to related parties**	We are not aware of any related parties or related party transactions which have not been disclosed.
3	**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.
4	**Written representations**	A letter of representation has been requested from the Council which is included in the Committee papers.
5	**Confirmation requests from third parties**	We requested from management permission to send confirmation requests to the Council's bank. This permission was granted and the requests were sent. However requests were not received so we have undertaken alternative procedures to verify the Council's year end bank balances through agreement via the online banking system.
6	**Disclosures**	Our review found no material omissions in the financial statements. We identified that the updated Financial Instruments disclosure had not been applied in the 2018/19 draft Statement of Accounts to be in compliance with the implementation of IFRS 9, please refer to Appendix B.
7	**Audit evidence and explanations/significant difficulties**	All information and explanations requested from management was provided.

Other responsibilities under the Code

	Issue	Commentary
1	**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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit; and/or • If we have applied any of our statutory powers or duties. We have nothing to report on these matters.
3	**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. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Our work in this area is in progress and will be complete in line with the national deadline.
4	**Certification of the closure of the audit**	We are unable to certify the closure of the 2018/19 audit of the London Borough of Brent in the audit opinion, as detailed in Appendix D, until the resolution of an elector objection in relation to the 2015/16 Financial Statements. Following this we require your predecessor auditor, KPMG, to certify the prior year accounts for 2017/18, 2017/16 and 2015/16. We are unable to issue our completion certificate until this objection is resolved and the three previous years of account are certified.

Internal controls

The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters we identified during the course of our audit are set out in the table below. These and other recommendations, together with management, are included in the action plan at Appendix A.

	Assessment	Issue and risks	Recommendations
1	●	**Control account reconciliations** In our testing of the Council's key financial systems we identified that the Council does not regularly produce control account reconciliations for the following areas: • Payroll – inclusion of gross to net report reconciliations to the current payroll reconciliations prepared; • Fixed asset register; • Welfare benefits; • HRA; • Council tax; and • NNDR. Control accounts should be regularly maintained for key financial systems so that the Council can prove the accuracy of the general ledger and understand the balances which make up each key area of the accounts.	Maintain regular control account reconciliations for each key financial system.
2	●	**NNDR creditors** Our testing of 7 items of NNDR creditors identified that 3 out of 7 creditors were over 10 years old.	Management should release NNDR credits that are not expected to be claimed.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Internal controls – continued

	Assessment	Issue and risks	Recommendations
3	●	**IT general controls** Our IT auditor conducted a review in April 2019 and identified the following key findings: a) Testing identified two enabled default accounts within the Oracle E-Business Suite live environment. It was noted these accounts have default passwords that have not been changed since installation and have no end date. These accounts present a security risk as the usernames and passwords are widely available. They present an easy point of compromise for a malicious user. b) The Oracle database audit trail is not enabled. We noted that audit logging was not enabled in the database specifically the following: AUDITTRAIL_ACTIVATE which tracks updates in a table made via a form as well as the user who was logged in using that form at that time was set to none. An absence of effective audit logging on the application and database increases the risk of unauthorised or malicious actions going undetected and untraceable to the individual who performed such actions. c) Our segregation of duties review noted 117 users with segregation of duty conflicts. In particular we noted the below business process conflicts: Financial Statement Closing Process: • 16 users that have access to perform GL transactions and the ability to maintain GL periods. • 75 users with access to journal entry and journal post. • 15 users that can open and close accounting periods and perform AP payments Purchase to Pay: • 15 users with access to perform payables invoice entry and purchase order entry. • 19 users with access to perform payables invoice entry and make changes to supplier master. • 9 users with access to perform AP payments and bank reconciliations. Order to Cash • 8 users have access to perform AR cash receipts and bank reconciliation.	a) Passwords for default accounts should be changed immediately. Management should introduce a procedure for ensuring that these accounts are reviewed following any upgrades or patches, as these activities can often reset the default passwords on these accounts. Default accounts with default passwords can be identified through running security reports within the Oracle Applications Manager. b) Management should review and configure audit logging to ensure that meaningful information can be obtained from audit logs. A review of key tables that are audit logged should be undertaken to ensure that only high-risk areas are subject to audit logging. Additionally, audit logs for high risk areas and key database tables should be periodically reviewed. c) Management should review the segregation of duty conflicts identified to ensure they are comfortable with the conflicts due to the nature of individuals' work and the supervision over these activities, or resolve any conflicts which put the Council at risk.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Value for Money

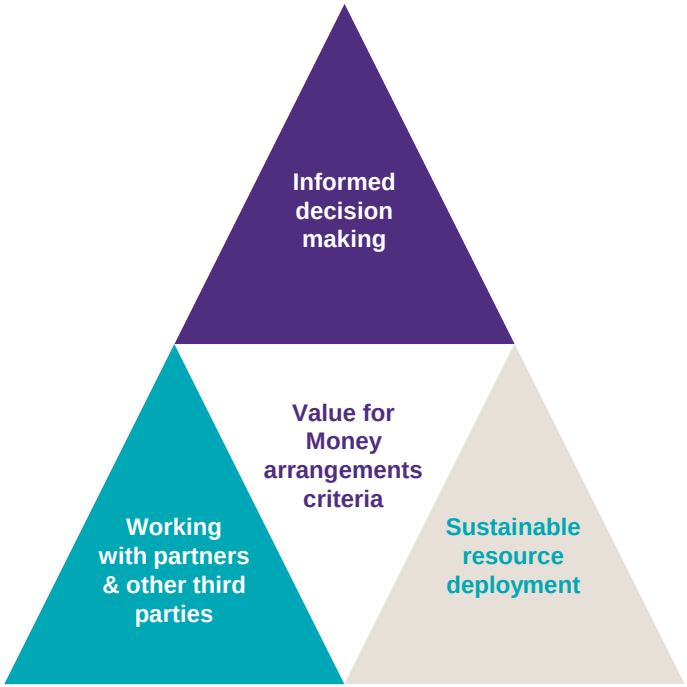
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in December 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's 2018/19 financial outturn;
- The robustness of the Council's 2019/20 budget and Medium Term Financial Strategy, including savings and income proposals; and
- The level and stability of the Council's usable reserves.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22-25.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk: Financial outturn and sustainability

1

The risk as identified in our 2018/19 Audit Plan

The Authority has historically performed well at managing its financial position although reductions in funding and increasing demand for services has made this increasingly challenging.

The Authority is planning to make £40m savings over the next four years to balance the budget and is currently consulting on savings and income generation proposals to identify £20m of net expenditure reduction for the next two years.

We will review the Authority's arrangements for delivering its budget including the arrangements for monitoring and reporting delivery of savings plans for 2018/19.

Findings

2018/19 Financial outturn

Actual Spend versus Budget	Overspend / (Underspend)		
£m	18/19 Budget	18/19 Actual	Variance
Children & Young People	41.4	43.1	1.7
Community Wellbeing	127.1	127.3	0.2
Performance, Policy & Partnerships	10.2	10.3	0.1
Regeneration & Environment	37.6	33.8	(3.8)
Resources	38.7	38.5	(0.2)
Total General Fund	**255.0**	**253.1**	**(2.0)**
DSG funded activity	3.3	3.3	0.0
HRA funded activity	2.5	2.3	(0.2)
Overall position	**260.8**	**258.7**	**(2.2)**

The Council had a challenging year but was able to achieve a £2m underspend against the main General Fund revenue budget. This is an improvement on the position forecasted in previous periods and the position in previous years. The outturn highlights the effective management action taken to address the pressures throughout the year. The £1.7m overspend in CYP was met by contingency funds within CYP reserves. There was also a small £0.2m overspend within Community Wellbeing in relation to Housing Partnerships (PFI). Of the £3.8m underspend in Regeneration & Environment, £2.7m is proposed to be set aside for 2019/20 projects.

The use of CYP earmarked reserves illustrates that the Council does have ongoing financial pressures which need to be addressed. However, this needs to be put in the context of income growth opportunities in relation to an increasing council tax and business rates bases, and the strong position of the Council's reserves. Brent has over £368m of usable reserves, of which over £100m of reserves, not related to capital, schools or HRA, can ultimately be deployed to address in-year shortfall. This is a much stronger position than virtually all other London boroughs. It is also worth noting that the Council is very clear about actively finding solutions in CYP.

Significant risk: Financial outturn and sustainability - continued

1

2019/20 Budget and beyond

The Council's MTFS assumes a £40m net expenditure reduction over next 4 years to balance the budget. If the £40m reduction is underestimated the Council may have to resort to 'core services' offer. Savings proposals of £26.2m were identified to be consulted with councilors and local residents, with £20m of savings required to balance budgets for 2019/20 and 2020/21. The budget for 2019/20 is based on the 2018/19 outturn. All savings have been separately identified and reported to ensure robustness of the 2019/20 budget. Over the decade to 2019/20 core funding will have fallen by 63% in real terms, LG revenue spending power will have fallen by 23%. At the same time, in London, population has risen by over 15%, more than double the rate elsewhere in England. Brent has a history of managing its finances well, delivering savings of £164m since 2010.

Overall the Council expects to overspend against the main 2019/20 General Fund budget by £0.2m. This £0.2m overspend relates to historic care costs within Adult Social Services. All other General Fund departments are forecasting to spend to budget. A £0.4m overspend is forecast within the HRA relating to delays implementing the Customer Relationship Management (CRM) system. Additionally CYP (DSG) forecasts to overspend by £2m against grant funding due to the increase in demand for High Needs Education support for the increasing number of children with Education Health and Care Plans (EHCPs), and increasing number of young people with EHCPs staying in post-16 education. The rate of increase for High Needs exceeds the growth in overall pupil numbers, but High Needs funding has not increased proportionately. In Brent the number of EHCPs increased by 200 in 2018/19, from 2,000 in 2017/18, a 10% increase despite no real change in total pupil population aged 4-16 years. The average cost of funding the services required by an EHCP is £20k and can range from £11k for support in mainstream schools to £63k in more specialist out of borough settings. The Council's High Needs forecast for 2019/20 of £59.3m is indicative, based on a 5% increase in the number of EHCPs. The overspend will be partially offset by a £1m contribution from the Schools Block, agreed during budget setting by the Schools Forum. The remaining forecast overspend will nearly deplete the DSG reserve of £2.5m.

The medium-term position for the Council is more uncertain. There is no confirmed Government funding plan in place for 2020/21 and beyond due to the impact of Brexit and of course now the Conservative Party leadership contest. Local Government funding is due to go undergo a significant shake up due to the impact of the business rate retention plan and the Fairer Funding Review.

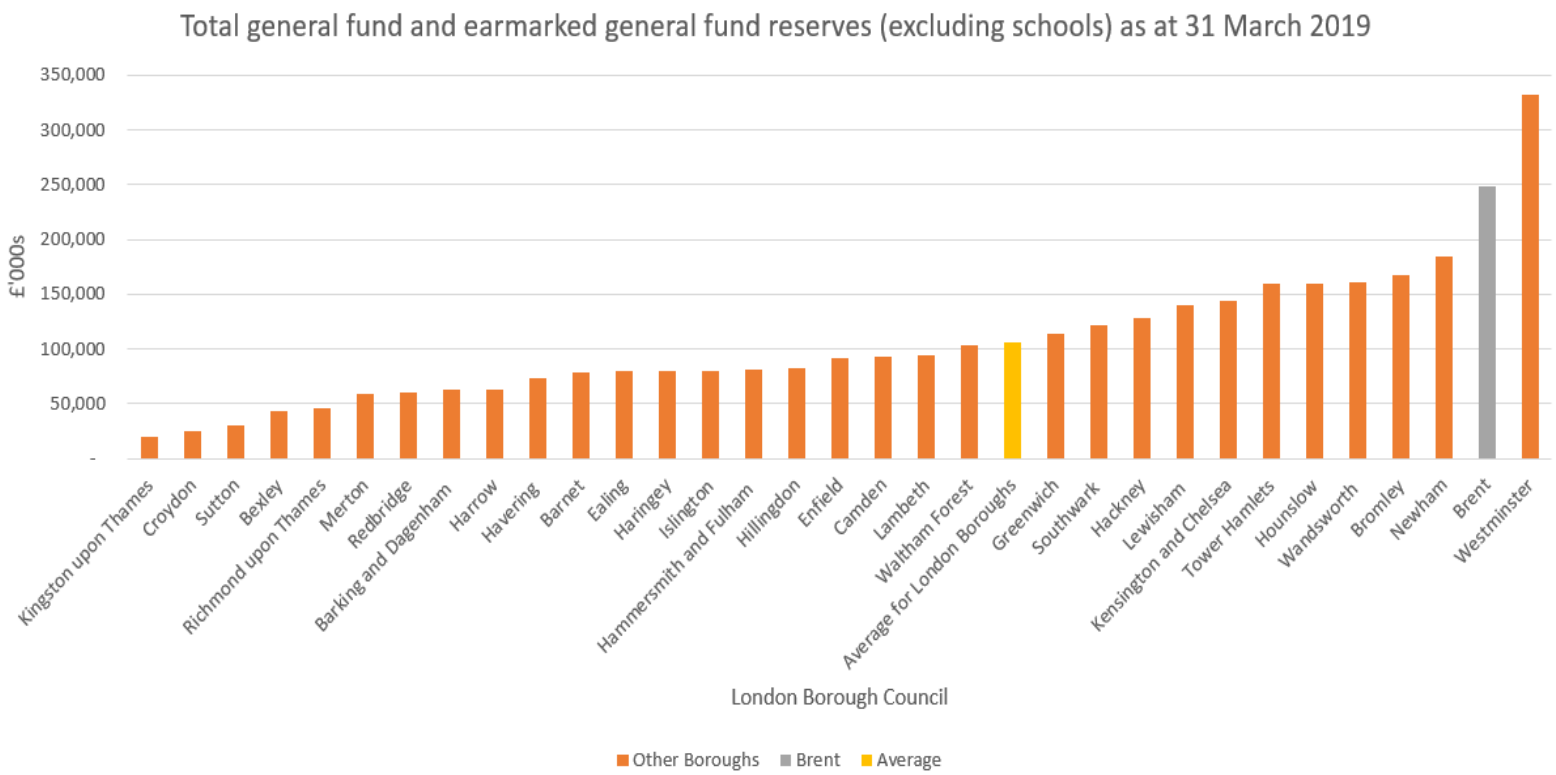
The Brent response will continue to be focused on:

- Increasing council tax base growth and maximising referendum limits;
- Delivering savings and reshaping Children's services; and
- Increased focus on capital regeneration and associated income growth from business rates, fees and charges etc.

Significant risk: **Financial outturn and sustainability - continued**

1

2019/20 Budget and beyond - continued

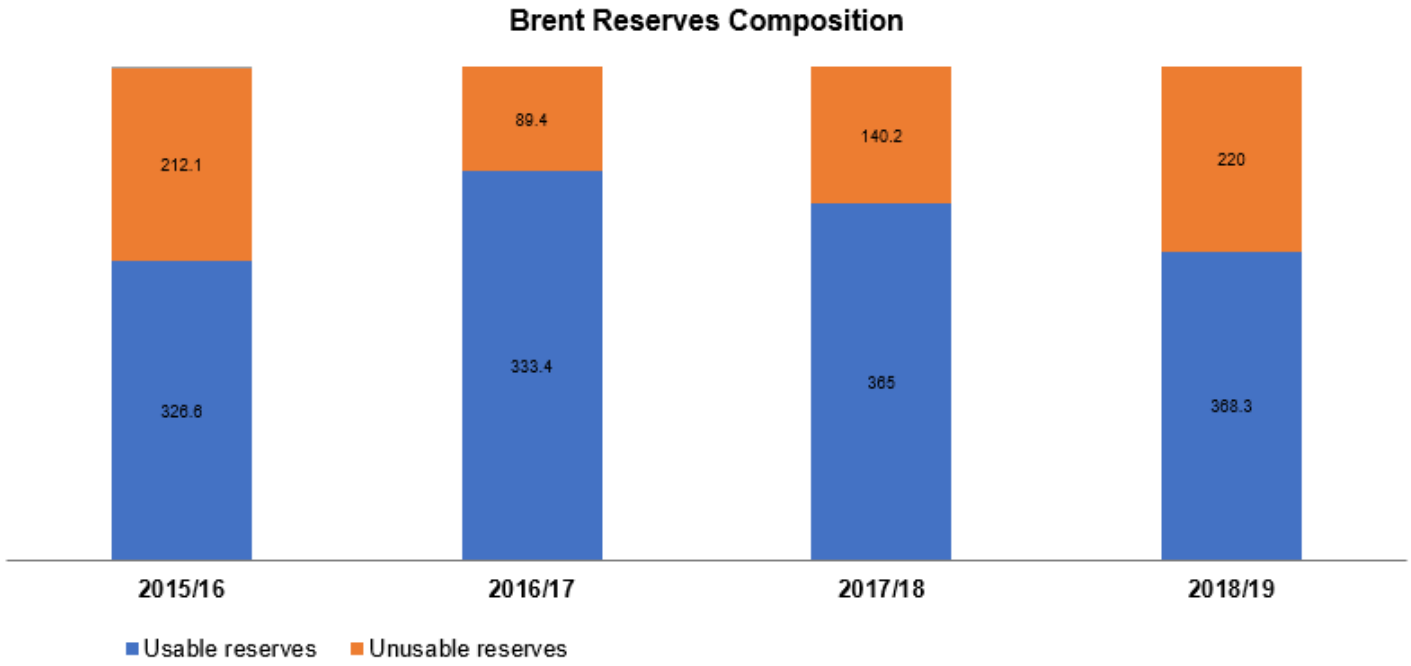


The above graph sets out Brent's reserves position relative to other London boroughs as at 31 March 2019. The reserves position increased by £3.3m overall, of which £248.9m are total general fund reserves and earmarked reserves excluding schools' reserves. This analysis demonstrates that the Council is maintaining levels much above those of its peers but it is recognised that of the £368.3m total usable reserves and capital receipts reserve, £240m relates to reserves built up and held to help finance the Council's £1bn capital expenditure plans, per the 2019/20 budget report. Excluding the capital reserves, HRA and schools reserves leaves general fund reserves of £109m which is close to the average level of reserves for London boroughs as can be seen in the chart above.

Significant risk: **Financial outturn and sustainability - continued**

1

2019/20 Budget and beyond - continued



Overall as the reserves position shows, Brent is has a high level of usable reserves. It is overall one of the better placed London boroughs to survive the financial challenges over the next few years. Overall, we believe the significant risk of financial outturn and sustainability is mitigated.

Conclusion

Auditor view

The Council's reserves position is strong. Our financial foresight tool does not give a predicted date for reserve depletion given the positive starting level and the level of income growth achievable.
Overall, we believe the significant risk of financial outturn and sustainability for the London Borough of Brent is mitigated.

Management response

The Council intends to use over £200m of these reserves to help finance its £1bn capital expenditure programme detailed in the 2019/20 budget report. A key objective of this capital expenditure is to help address the financial challenges the Council faces.

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. 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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

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 Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits Subsidy return	£20,000 plus £800 per diem rate for additional work if 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 £20,000 in comparison to the total fee for the audit of £153,684 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.
Teachers' Pensions return	£3,000	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 £3,000 in comparison to the total fee for the audit of £153,684 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.
Certification of Pooling of Housing Capital Receipts grant	£2,000	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 £2,000 in comparison to the total fee for the audit of £153,684 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.

Independence and ethics – continued

	Fees £	Threats identified	Safeguards
Audit related			
I4B Holdings Ltd audit	£27,000	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 £27,000 in comparison to the total fee for the audit of £153,684 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.
First Wave Housing Ltd audit	£25,000	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 £25,000 in comparison to the total fee for the audit of £153,684 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.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Councils S151 Officer. None of the services provided are subject to contingent fees.

Action plan

We have identified two recommendations for the Council 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 2019/20 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
1.	●	**Control account reconciliations** Control account reconciliations of key financial systems to the general ledger are not routinely performed by the Council. Refer to page 18 of this report for further detail.	Maintain regular control account reconciliations for each key financial system. **Management response** The Council will strengthen reconciliations in the areas identified.
2.	●	**NNDR creditors** Our testing of 7 items of NNDR creditors identified that 3 out of 7 creditors were over 10 years old. Refer to page 18 of this report for further detail.	Management should release NNDR credits that are not expected to be claimed. **Management response** The Council needs to be prudent in its treatment of NNDR credits, so will review these credits, including the legislation around NNDR credits, to determine how these should be treated and update its policies and procedures appropriately to address this issue.
3.	●	**IT general controls** a) Two enabled default accounts within the Oracle EBS have default passwords. b) The Oracle database audit trail is not enabled. We noted that audit logging was not enabled in the database. c) Our segregation of duties review noted 117 users with segregation of duty conflicts. Refer to page 19 of this report for further detail.	a) Passwords for default accounts should be changed immediately. Management should introduce a procedure for ensuring that these accounts are reviewed following any upgrades or patches, as these activities can often reset the default passwords on these accounts. Default accounts with default passwords can be identified through running security reports within the Oracle Applications Manager. b) Management should review and configure audit logging to ensure that meaningful information can be obtained from audit logs. A review of key tables that are audit logged should be undertaken to ensure that only high-risk areas are subject to audit logging. Additionally, audit logs for high risk areas and key database tables should be periodically reviewed. c) Management should review the segregation of duty conflicts identified to ensure they are comfortable with the conflicts due to the nature of individuals' work and the supervision over these activities, or resolve any conflicts which put the Council at risk. **Management response** The Council undertakes to review the findings of this report, and determine how controls in Oracle can be strengthened.

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

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.

1. 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 2019.

	Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure
1	**Note 35 Potential impact of the McCloud judgement** The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented. Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £7m, and an increase in service costs for the 2019/20 year of £6.88k. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.	Pension Fund Liability (£7.7m) Past service costs (including curtailments) £7.7m	Pension Fund Reserve £7.7m Movement in Reserves (£7.7m)	Nil
2	**Note 35 Defined benefit pension scheme** – Draft Statement of Accounts was prepared using the provisional IAS 19 estimate. There is a £89.4m difference between the provisional IAS 19 estimate (£829.3m) and the final IAS 19 estimate (£918.7m).	Actuarial loss on pension assets and liabilities £89.4m	Defined benefit liability (£89.4m)	£89.4m

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.

1. 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 2019.

	Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure
3	**Note 7 Short term creditors** – £1.4m of receipts in advance in relation to other payables should have been classified as unusable reserves.	NNDR income (£1.4m) Movement in Reserves £1.4m	Receipts in advance £1.4m Collection Fund adjustment Account (£1.4m)	Nil
4	**Note 11 Other Operating Expenditure** – Overage and lease extension income of £7.3m was incorrectly included in the calculation of the loss on disposal of non-current assets.		Loss on disposal of non-current assets (£7.7m) Capital receipts £7.7m	Nil
	Overall impact	**£96.4m**	**(£96.4m)**	**£96.4m**

Audit Adjustments

2. 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 omission	Detail	Auditor recommendations	Adjusted?
1. Note 9 NNDR appeals provision accounting policy	The accounting policy for provisions did not include specific reference to the NNDR appeals provision estimate	Include specific accounting policy in relation to the NNDR appeals provision estimate. **Management response** Agreed.	✓
2. Note 13 Taxation and non-Specific Grant Incomes	Business rates income was disclosed as £131.3m but the correct value is £128.8m, to net off £2.5m of NNDR top up.	Amend the disclosure of business rates income in Note 13. **Management response** Agreed.	✓
3. Note 18 External audit costs	Audit fee disclosed for main audit included £5k of grant certification fees.	Correct the allocation of audit fees between main audit and grant certification. **Management response** Agreed.	✓
4. Note 25 Financial instruments	Note 25 in the draft Statement of Accounts did not follow the disclosure requirements of IFRS 9.	Prepare the financial instruments disclosure in line with IFRS 9 requirements. **Management response** Agreed.	✓
5. Minor presentational issues	A number of minor formatting issues to improve the presentation of the Council's Statement of Accounts.	Some minor formatting issues on the notes to the accounts were agreed with management. **Management response** Agreed.	✓

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£153,684	TBC
Total audit fees (excluding VAT)	**£153,684**	**TBC**

Additional Fees

Fees for other services	Proposed fee
Audit related services	
Grants:	
• Housing Benefit Subsidy return	£20,000
• Teachers' Pensions return	£3,000
• Pooling of Housing Capital Receipts return	£2,000
Audit of subsidiaries:	
• i4B Holdings Ltd audit	£27,000
• FWH Ltd audit	£25,000
	£77,000

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Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Independent auditor's report to the members of London Borough of Brent

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the London Borough of Brent (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Balance Sheet, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Account, the Group Balance Sheet, the Group Consolidated Income and Expenditure Statement, the Group Cash Flow Statement, and the Group Movement in Reserves, and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Interim Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Statement, and the Annual Governance Statement, other than the Authority and group financial statements and, our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Statement, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Interim Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on pages x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Interim Director of Finance. The Interim Director of Finance is responsible for the preparation of the Statement of Accounts, which includes 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Interim Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Interim Director of Finance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Audit opinion

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2019 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice due to ongoing consideration by the Authority's predecessor audit of an objection relating to previous years, under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX July 2019

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The Audit Findings for Brent Pension Fund

Year ended 31 March 2019

July 2019

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3. Independence, ethics and fees	10

Appendices

A. Follow up of prior year recommendations

B. Audit adjustments and disclosure changes

C. Audit Opinion

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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 expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of the Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2019 for those charged with governance.

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 position of the Pension Fund and its 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.	Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 9. We have identified no adjustments to the financial statements that have had an impact on the Pension Fund's reported financial position. Audit adjustments and misclassification disclosure changes are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix C. *Outstanding items include the following items where we are awaiting information from you as at the date of writing this report in order to continue our work:* - a listing for administering authority to be able to pick a sample of 5 items for contributions testing; - processing of audit evidence for 4 items relating to the debtors sample - responses to 2 queries on the benefits sample *We are still completing work in the following areas, in addition to those areas above where we are awaiting information:* - process of evidence for 5 items relating to the sample of contributions; - review of financial instruments, related parties and key management personnel disclosures; - updating our work on investments when we receive the outstanding confirmations; and - pick a sample of investment transactions for cut off and purchases and sales testing *We are still to complete the following closing procedures, which are concluded at the end of the audit:* - review of impact of McCloud judgement on the IAS 26 disclosure; - senior management quality reviews; - receipt of your management representation letter; - consideration of subsequent events; and - review of the final set of financial statements. Our anticipated audit report opinion will be unqualified.

Acknowledgements
We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

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 have been discussed with management.

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 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; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in January 2019

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 10 July 2019, as detailed in Appendix C.

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 calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Brent Pension Fund.

	Pension Fund Amount (£)
Materiality for the financial statements	8,001,000
Performance materiality	6,001,000
Trivial matters	400,000

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** During our risk assessment, we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including London Borough of Brent, mean that all forms of fraud are seen as unacceptable Therefore we did not consider this to be a significant risk for Brent Pension Fund. We have not made any changes to this assessment reported to you in the Audit Plan.
2	**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 Fund faces external scrutiny of its spending and stewardship of funds 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, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine 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; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
3 The valuation of Level 3 investments is incorrect 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.	**Auditor commentary** We have • gained an understanding of the Fund's management processes for valuing Level 3 investments and evaluated the design of the associated controls; • 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; and • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period. We have not identified any issues in respect of the valuation of Level 3 investments.

Going concern

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).

Going concern commentary

Management's assessment process	Auditor commentary
Management have reviewed the Fund's funding position and cash flows.	• The Pension Fund has sufficient assets to meet its liabilities as they fall due over the next 12 months. Local Government Pension schemes are effectively underwritten by the tax payer with deficits financed by increased contributions agreed with the actuary that are financed through Council and Admitted and Scheduled bodies contributions. • There is no plan by the Ministry of Housing, Communities and Local Government to wind up the London Borough of Brent Pension Fund. • The Pension Fund continues to operate as usual in 2018/19. Contributions and investment income continue to be received as expected.
Work performed	**Auditor commentary**
Detail audit work performed on management's assessment	• We have reviewed management's assessment that the financial statements are prepared on a going concern basis. • We are satisfied that there are sufficient assets to meet liabilities as they fall due. The last triennial actuarial valuation as at 31 March 2016 showed the funding level of 55% with a plan to achieve 100% solvency over the 19 years from that valuation. • The fund continues to operate as usual.
Concluding comments	**Auditor commentary**
	• We are satisfied that the Pension Fund Financial Statements are prepared on a Going Concern basis.

Significant findings - other issues

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
1	**Potential impact of the McCloud judgement**		
	The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.	Discussions are ongoing in the sector regarding the potential impact of the ruling and the application for appeal on the financial statements of Local Government Pension Schemes. The Pension Fund has requested an estimate from its actuary of the potential impact of the McCloud ruling on the disclosure of the IAS 26 Actuarial present value of promised retirement benefits in Note 19. The Pension Fund has not yet received the estimate from its actuary.	We will review the analysis performed by the actuary, and consider whether the approach that has been taken to arrive at this estimate is reasonable. Although we are of the view that there is sufficient evidence to indicate that any liability related to the McCloud judgement is probable, we will have to satisfy ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as a likely disclosure change within Appendix B.

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.

	Issue	Commentary
1	**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 incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**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.
4	**Written representations**	• A standard letter of representation has been requested from the Pension Fund, which is included in the Audit and Standards Committee papers.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to your custodian, investment fund managers and banks. This permission was granted and the requests were sent. Most of these requests were returned with positive confirmation, however 2 requests from Legal & General and Northern Trust were not received so management are supporting our chasing efforts.
6	**Disclosures**	• We found some disclosure that required updating. See Appendix B for further details.
7	**Audit evidence and explanations**	• We did not encounter any significant difficulties in carrying out the audit. The Pension Fund accounting team replied to our queries in a timely manner and in sufficient detail.
8	**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. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2019 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

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. 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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed below

Audit and Non-audit related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to July 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Fees

We confirm below our final fees charged for the audit. We confirm there were no fees for the provision of non-audit or audit-related services.

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	16,170	TBC
Total audit fees (excluding VAT)	**16,170**	**TBC**

Follow up of prior year recommendations

Your previous auditors, KPMG, identified the following issue in the audit of Brent Pension Fund's 2017/18 financial statements, which resulted in 1 recommendation being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented all of KPMG's recommendations.

	Assessment	Issue and risk previously communicated by KPMG	Update on actions taken to address the issue
1	✓	**Accounts preparation of the Pension Fund** The Authority does not put through the general ledger all the entries relating to increases in market value of investments but uses the Custodian report as the basis for preparing the asset values included in the accounts. Not using a full trial balance to prepare the accounts can lead to an enhanced risk that errors may occur. We identified two errors relating to assets in the accounts: • One where the incorrect bank balance figure was given to the custodian; and • One where the custodian did not use the final year end report from a Fund manager. We recommend that the Authority puts journals through the general ledger for all entries in the Pension Fund accounts and reconciles reports from Fund Managers to the Custodian report.	Management have confirmed that they have reflected the balances from the custodians reports (i.e. market value of investments) in the general ledger. This has been confirmed by our work on investments. Therefore this recommendation has been implemented.

Assessment
✓ Action completed
X Not yet addressed

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

We have not identified any adjusted misstatements in relation to the 2018/19. Statement of Accounts as at the date of writing this report.

Impact of unadjusted misstatements

We have not identified any unadjusted misstatements in relation to the 2018/19. Statement of Accounts as at the date of writing this report. If any are subsequently identified, the Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below:

Impact of prior year unadjusted misstatements

We have not identified any unadjusted misstatements in relation to the 2017/18 Statement of Accounts as at the date of writing this report.

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 omission	Detail	Auditor recommendations	Adjusted?
McCloud and IAS 26 disclosure	As detailed in the Significant findings - other issues section on page 8, there may be a change in the disclosure of the IAS 26 Actuarial present value of promised retirement benefits in Note 19 due to an updated estimate from your actuary following the McCloud Adjustment.	• Management should obtain an updated estimate of the IAS 26 Actuarial present value of promised retirement benefits as at 31 March 2019 taking into account the findings from the McCloud judgement and update the disclosure if there is a material difference.	TBC

Audit Adjustments

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Key Management Personnel	Note 23 referred to the disclosure of Key management personnel in the main accounts of London Borough of Brent. Our interpretation of the Code is that the pension fund accounts must be capable of standing alone from the local authority financial statements as: • local authority pension fund accounts are not only published alongside the financial statements of the administrating authority but are also published separately within the Pension Fund annual report • the disclosures set out in the local authority financial statements will refer to officers and members who are not involved in the management of the Pension Fund	• Management should determine who are the key management personnel of the pension fund and include the disclosures required under section 3.4 of the Code in respect of the key management personnel, within Note 23 of the pension fund accounts.	✓
Accounting Adjustment	Note 11 disclosed £2.2m expenditure a Accounting adjustment. On investigation, this was a write off of a historical investment balance error. This would be better described as a write off of an investment balance, and a narrative disclosure added to explain the nature of the transaction to users of the accounts.	• Management should describe this as a write off of an investment balance.	✓
Member Data	The member data disclosed in Note 1 b) of the draft accounts was not correct. The total number of members was correct, but the split between Administering Authority, Scheduled Bodies and Admitted Bodies was incorrect.	• Management should correct the disclosure in the next draft of the accounts.	✓
Actuarial Assumptions	In Note 19, the Actuarial present value of promised retirement benefits, the discount rate and sensitivity analysis did not agree to the IAS 19 report from the actuary.	• Management should correct the disclosure in the next draft of the accounts.	✓

Draft audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of London Borough of Brent on the pension fund financial statements of Brent Pension Fund

Opinion

We have audited the financial statements of Brent Pension Fund (the 'pension fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Interim Director of Finance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Other information

The Interim Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Interim Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 71 to 72, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Interim Director of Finance. The Interim Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund's 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Interim Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Interim Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Draft audit opinion

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Paul Dossett Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]

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