



Audit and Standards Advisory Committee

Wednesday 22 September 2021 at 6.00 pm

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

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

Guidance on the safe delivery of face-to-face meetings is included at the end of the agenda front sheet.

Due to current restrictions and limits on the socially distanced venue capacity, any press and public wishing to attend this meeting are encouraged to do so via the live webcast. The link to attend the meeting will be made available [here](#)

Membership:

Members

David Ewart (Chair)

Substitute Members

Councillors:

Lo (Vice-Chair)
Akram
Donnelly-Jackson
Johnson
Kansagra
Long
Naheerathan

Councillors:

Afzal, S Choudhary, Colacicco, Gbajumo, Kabir and
W Mitchell Murray

Councillors:

Colwill and Maurice

Independent co-Opted Members

Javed Ansari
Mark Mills

Independent Advisor

Vineeta Manchanda

For further information contact: Andrew Phillips, Governance Officer
Tel: 020 8937 4219; Email: Andrew.Phillips@brent.gov.uk

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www.brent.gov.uk/committees

Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences** - Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
 - To which you are appointed by the council;
 - which exercises functions of a public nature;
 - which is directed is to charitable purposes;
 - whose principal purposes include the influence of public opinion or policy (including a political party or 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.

Item	Page
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1	Apologies for absence and clarification of alternate members	
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2	Declarations of Interest	
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Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.

3	Deputations (if any)	
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To hear any deputations received from members of the public in accordance with Standing Order 67.

4	Minutes of the previous meeting	1 - 10
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To approve the minutes of the previous meeting held on Monday 26 July 2021 as a correct record.

5	Matters arising (if any)	
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To consider any matters arising from the minutes of the previous meeting.

Standards Items

6	Complaints & Code of Conduct	11 - 22
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To receive a report providing an annual review of the Members' Code of Conduct and Complaints procedure.

Ward Affected:
All Wards

Contact Officer: Debra Norman
Director of Legal, HR, Audit & Investigations
Tel: 020 8937 1578
Email: Debra.Norman@brent.gov.uk

Bianca Robinson
Senior Constitutional & Governance Lawyer
Tel: 020 8937 1544
Email: Bianca.Robinson@brent.gov.uk

7 Standards Report (Including update on Gifts and Hospitality and member training) 23 - 26

The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions.

(Updated version of report republished on 16 September 21)

Ward Affected:
All Wards

Contact Officer: Debra Norman
Director of Legal, HR, Audit & Investigations
Tel: 020 8937 1578
Email: Debra.Norman@brent.gov.uk

Bianca Robinson
Senior Constitutional & Governance Lawyer
Tel: 020 8937 1544
Email: Bianca.Robinson@brent.gov.uk

Audit Items

8 Statement of Accounts To Follow

To receive the Council's Annual Statement of Accounts.

Ward Affected:
All Wards

Contact Officer: Minesh Patel
Director of Finance
Tel: 020 8937 4043
Email: Minesh.Patel@brent.gov.uk

9 LB Brent 2020/21 Audit Findings Report 27 - 64

To receive a report from Grant Thornton (External Auditors) providing an update on the 2020/21 Audit Findings.

(This report has been circulated as part of the republished agenda on 16 September 21)

Ward Affected:
All Wards

Contact Officer: Sophia Brown
Senior Audit Manager, Grant Thornton
Tel: 020 7728 3179
Email: Sophia.y.brown@uk.gt.com

10 LB Brent Pension Fund 2020/21 Audit Findings Report 65 - 84

To receive a report from Grant Thornton (External Auditors) providing an update on their Pension Fund Audit Findings for 2020/21.

(This report has been circulated as part of the republished agenda on 16 September 21)

Ward Affected:
All Wards

Contact Officer: Sophia Brown
Senior Audit Manager, Grant Thornton
Tel: 020 7728 3179
Email: Sophia.y.brown@uk.gt.com

11 To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd 85 - 142

To receive reports on the performance of i4B Holdings and First Wave Housing Ltd including their accounts and audits.

11.1 i4B Holdings

11.1.1 Report from Chair of i4B Holdings Ltd 85 - 98

This report provides the Audit and Standards Advisory Committee with an update on i4B Holdings Ltd.'s recent performance, accounts outturn, risk register and audit arrangements

11.1.2 i4B Holdings External Audit Findings 99 - 114

11.2 First Wave Housing Ltd

11.2.1 Report from Chair of First Wave Housing Ltd 115 - 126

This report provides the Audit and Standards Advisory Committee with an update on First Wave Housing Limited's (FWH) recent performance, accounts outturn, risk register and audit arrangements

11.2.2 First Wave Housing Ltd External Audit Findings 127 - 142

(These reports have been circulated as part of the republished agenda on 16 September 21)

Ward Affected:
All Wards

Contact Officer: Sadie East, Operational
Director, Transformation
Tel: 020 8937 1507
Sadie.East@Brent.gov.uk

Contact Officer: Sophia Brown
Senior Audit Manager, Grant Thornton
Tel: 020 7728 3179
Email: Sophia.y.brown@uk.gt.com

12 Internal Audit Progress Report 143 - 154

To receive a report providing an update on progress against the Internal Audit Plan for the period 1 April 2021 to September 2021.

Ward Affected:
All Wards

Contact Officer: Colin Garland, Internal Audit Manager
Tel: 07557 176522
Colin.Garland@Brent.gov.uk

13 Counter Fraud 2021/22 Progress Report

155 - 162

To receive a report providing a summary of the counter fraud activity for 2021/22 Q1 and Q2, up to 31 August 2021.

Ward Affected:
All Wards

Contact Officer: Debra Norman, Director of Legal, HR, Audit & Investigations
Tel: 020 8937 1578
Debra.Norman@Brent.gov.uk

14 Annual Auditors Report 2020/21

163 - 196

To receive a report from Grant Thornton (External Auditors) seeking comments on the Auditors Annual Report 2020/21.

(This report has been circulated as part of the republished agenda on 16 September 21)

Ward Affected:
All Wards

Contact Officer: Sophia Brown
Senior Audit Manager, Grant Thornton
Tel: 020 7728 3179
Email: Sophia.y.brown@uk.gt.com

15 External Audit Progress Report

Members are asked to note that this item has been withdrawn from the agenda.

(This item has been updated as part of the republished agenda on 16 September 21)

16 Forward Plan & Work Programme

197 - 198

To note the Committee's Forward Plan & Work Programme for 2021/22.

17 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or her representative before the meeting in accordance with Standing Order 60.

Date of the next meeting: **Tuesday 7 December 2021**

Guidance on the delivery of safe meetings at The Drum, Brent Civic Centre

- We have revised the capacities and floor plans for event spaces to ensure they are Covid-19 compliant and meet the current social distancing guidelines.
- Attendees will need to maintain the necessary social distance at all times.
- Signage and reminders, including floor markers for social distancing and one-way flow systems are present throughout The Drum and need to be followed.
- Please note the Civic Centre visitor lifts will have reduced capacity to help with social distancing.
- The use of face coverings is encouraged with hand sanitiser dispensers located at the main entrance to The Drum and within each meeting room.
- Those attending meetings are asked to scan the coronavirus NHS QR code for The Drum upon entry. Posters of the QR code are located in front of the main Drum entrance and outside each boardroom.
- Although not required, should anyone attending wish to do book a lateral flow test in advance these are also available at the Civic Centre and can be booked via the following link:
<https://www.brent.gov.uk/yourcommunity/coronavirus/covid-19-testing/if-you-dont-have-symptoms/>



MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE

Held in the Conference Hall, Brent Civic Centre on Monday 26 July 2021 at 6.00 pm.

PRESENT: David Ewart (Chair), Councillor Lo (Vice-Chair) and Councillors Akram (in remote attendance) Kansagra, Long and Nahareethan.

Independent Advisor: Vineeta Manchanda

Independent Co-Opted Members: Mark Mills & Javed Ansari (in remote attendance)

Also Present: Councillor McLennan (Deputy Leader & Lead Member for Resources)

1. Apologies for absence and clarification of alternate members

Apologies were received from Councillor Donnelly Jackson, Councillor Johnson and Carolyn Downs (Chief Executive – with Peter Gadsdon attending as her representative).

2. Declarations of Interest

David Ewart declared a personal interest as a member of CIPFA in relation to Agenda Item 9: CIPFA Financial Management Code). No other interests were declared at the meeting.

3. Deputations (if any)

None.

4. Minutes of the previous meeting

It was **RESOLVED** that the minutes of the previous meeting held on 11 May 2021 be approved.

5. Matters arising (if any)

None.

6. Standards Report (including quarterly update on gifts and hospitality and mandatory training)

Biancia Robinson, Senior Constitutional and Governance Lawyer, introduced a report updating the Committee on gifts and hospitality registered by Members over the last quarter, and the attendance record for Members in relation to mandatory training sessions. In considering the report the Committee noted:

- There has been no gifts or hospitality registered by members in the first quarter (April – June) 2021;

- All members had undertaken and completed their mandatory training with the exception of Data Protection/GDPR with details provided on those still to complete the relevant e-learning modules. The Committee were advised these members had been contacted with a reminder and offer of support;
- The summary also included within the report of a recent Freedom of Information Act case seeking details on the views provide by two Independent Persons in relation to a complaint about the conduct of a councillor. Bianca Robinson provided an update on the case, which had first been reported to the Committee in 2018. The original decision not to release the information had been subject to a legal challenge and subsequent appeal which members were advised had also now been dismissed by a First Tier Tribunal with the original decision upheld. Details on the case and judgement were set out in section 3.7 – 3.14 of the report. Members noted that as part of the judgement the FTT had concluded that the public interests of transparency, openness and accountability were outweighed in the case by the significant public interest in avoiding the risk of inhibition of the IPs candid advice and in maintaining the effectiveness of the Council's complaint process which may otherwise have been undermined.

The Committee was then invited to raise questions on the report, which are summarised below:

- In considering the outcome of the case involving the FOI appeal members were keen to explore whether there were any learning points which could be incorporated into future learning & development. The Committee was advised that relevant learning points were already being reviewed for inclusion as part of future training programmes.
- In terms of member learning and development opportunities the committee asked if consideration could be given to ensuring that training was provided in an accessible format for all members, which it was agreed would be fed back for consideration as part of the development of the member learning and training programme.

As no further issues were raised it was **RESOLVED** to note the contents of the report.

7. **Draft Statement of Accounts**

Sin Yee Tang, Senior Finance Analyst, introduced a report presenting the Council's draft 2020/21 Statement of Accounts.

As part of the presentation of the draft accounts the Committee noted:

- The details included within the financial performance section of the accounts on the General Fund pressures related to the impact of Covid-19. The additional cost totalled £42m from the pandemic, which comprised £29.1m of additional expenditure and £12.9m in loss of income to services;
- The increase (as detailed within the Income & Expenditure Statement) in expenditure on services during 2019/20. This included a significant increase in costs relating to the HRA and reduction in income as a result of the pandemic;

- The figures relating to account adjustments such as depreciation and repairs and gains and losses on property equipment;
- The way in which emergency grant funding from central Government and Covid related underspends had been used to offset the costs and pressures identified in relation to the pandemic, as detailed within Table 1 of the accounts;
- The increase in net pension liability, which had been based on principal assumptions used by the Council's independent qualified actuaries as part of their last valuation of the Fund, and as detailed in Notes 37 & 38 accompanying the draft accounts;
- The movement in reserves identified during 2020/21 as detailed and broken down within the core statements included within the draft accounts.

The Committee was then invited to raise questions on the report, which are summarised below:

- A query was raised regarding the way in which the Covid and non Covid related overspend and underspends had been reflected within the Financial performance section of the accounts, with clarification provided that these had included (as was normal practice) planned expenditure on day to day services.
- In response to a question around outstanding levels of debt, members were advised that the narrative statement had reflected a reduction in performance related to debt collection but it was anticipated that as Covid restrictions were lifted collection rates and performance would return to normal levels.
- Members also queried the reasons for the reported increase in housing benefits overpayments, to which Ravinder Jassar (Deputy Director of Finance) responded he would be able to provide more details outside of the meeting.
- In response to a query raised in relation to the details provided on senior employees remuneration under the Employee Benefits section of the accounts, confirmation was provided that the Chief Executive was not part of the Local Government Pension Scheme which was the reason no employer pension contribution had been recorded. Whilst recognising the significant issues and pressures identified in relation to the Dedicated Schools Grant (DSG) members noted the intention to consider these in more detail as part of the later report on the Corporate Risk Register.

In concluding consideration of the draft statement of accounts, Paul Dossett (Grant Thornton – External Auditor) advised that at this stage there were no updates from the external auditors' perspective. Work had started on the external audit review of the accounts with the outcome due to be reported back at the next meeting.

The Chair, supported by Councillor McLennan (as Deputy Leader and Lead Member for Resources) ended the discussion by thanking the finance team for their efforts in preparing and submitting the draft accounts within the required timescale, given the other significant challenges arising from the pandemic and advised members that if they should have any further queries these could be submitted outside of the meeting for response.

As a result of the discussion at the meeting it was **RESOLVED** to note the contents of the report.

8. **Annual Governance Statement 2020/21**

Michael Bradley, Head of Audit and Investigations, introduced a report setting out the draft Annual Governance Statement (AGS) for 2020/21 as required by the Accounts and Audit Regulations 2015.

In presenting the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.4 of the report;
- That whilst no significant control breaches had been identified during 2020/21, the statement had included additional details on the significant governance issues which had been addressed in supporting management of the Covid 19 pandemic;
- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk, the effectiveness of which was subject to ongoing review.

The Committee was then invited to raise questions on the report, which are summarised below:

- The need was identified to ensure the Statement was amended to update the number of times the Committee had met during the 2020/21 Municipal Year

Members were advised that they were being invited to comment on the draft AGS in advance of its formal consideration and approval by the Audit and Standards Committee.

As no further issues were highlighted, the Advisory Committee **RESOLVED** to endorse, subject to the comments above, the draft 2020/21 Annual Governance Statement for reference on to the Audit and Standards Committee for formal approval.

9. **CIPFA Financial Management Code**

Ravinder Jassar, Head of Finance, introduced the report informing the Committee of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and outlining how the Council was working towards full compliance with the code in 2021/22.

In considering the report, the Committee noted:

- That it would be up to each individual authority to determine whether it met the standards included within the code with evidence needing to be provided that a review of financial management arrangements against the standards had been undertaken in order to ensure compliance;

- Officers were currently undertaking a full self-assessment against the standards within the code which would be used to demonstrate the Council's direction of travel in terms of achieving full compliance in 2021/22;

The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that work undertaken to date had not identified any significant areas of concern in terms of the standards within the code on which the Council was already largely compliant. Members were advised that further detail on the self-assessment, work plan and progress would be presented to the committee at future meetings.
- Paul Dossett also outlined the links between the code and work the External Auditors were undertaking in relation to their Value for Money review of the Council.

As no further issues were raised it was **RESOLVED:**

- (1) To note the Requirements of the CIPFA Financial Management Code; and
- (2) To note the work plan with regards to full compliance with the code in 2021/22.

10. **Emergency Preparedness Update**

Peter Gadsdon, Strategic Director of Customer and Digital Access, introduced a report outlining the progress made since the previous update for the Committee in 2020 around the Council's emergency preparedness arrangements. The report also detailed the type and number of incidents in Brent along with the initiatives and programmes of work under way to enhance the Council's resilience and response arrangements.

In considering the report the Committee noted:

- The introduction of the new Resilience Standards for London (RSL), on which Brent had been subject to a positive LGA peer challenge. This had identified Brent as demonstrating leading practice in a number of areas, with an Action Plan developed in response.
- The positive nature of work and engagement undertaken during the pandemic with mutual aid groups across the borough, which the Council would be looking to build on and develop moving forward.
- The summary of incidents (not including the pandemic) which had involved an emergency planning response since January 2020, as detailed within section 3.4 of the report. Members noted that the majority of cases had involved fires, with the responses provided having often required the utilisation of emergency shelter and accommodation.

The Committee was then invited to raise questions on the report, which are summarised below:

- In view of recent incidents involving flooding across parts of London, members highlighted their support for the development of London wide contingency plan to deal with flooding emergencies. In response to a query relating to communication, members were advised that the Council's website was regularly updated to notify residents on issues around flooding in the borough

As no further issues were raised the Chair thanked officers for the report and efforts in responding to the incidents identified and it was **RESOLVED** to note the contents of the report.

11. **Corporate Risk Register**

Michael Bradley, Head of Audit and Investigations, introduced the report providing an update on the Council's Risk Management position and Corporate Risk Register.

In considering the report the Committee noted:

- Departmental management teams had carried out a review and reassessment of their risk registers, which had been designed to ensure that operational and strategic risks identified within departments were effectively managed;
- The main changes to the corporate risk register, which contained those risks considered to be of the highest potential impact and likelihood of materialising and that would have on adverse effect on the achievement of corporate objectives. The key changes had involved a reassessment and update of risks and actions identified taking account of the ongoing pandemic and removal of the financial pressures arising from Covid 19 pandemic risks, which had now been incorporated within other risks. In response to a query members were advised that these risks were being actively managed with further detail on these changes to be provided as part of the next Corporate Risk Register update;
- The new risks which had been identified in relation to the delay in re-procurement of key public realm services and an increase in the Dedicated School Grant High Needs Block Deficit.

The Committee was then invited to raise questions on the report, which are summarised below:

- Details were sought on how regularly departmental risk registers would be subject to review and update. In response members were advised that whilst there was no specific requirement in terms of the frequency of reviews departments were encouraged to ensure their departmental registers were kept under ongoing review and updated as required.
- In response to a query regarding the impact of Brexit on the number of school pupils and places and associated levels of funding, members were advised that a response would need to be sought outside of the meeting.
- Further details was also sought on the level of risk associated with the increased threat identified in relation to cyber attacks on the Council's IT systems. In response, members were advised of the heightened security risk level as a result of a number of attacks on other Council's, including the significant issues experienced at Hackney. Within Brent this had led to the implementation of a number of additional controls, with a specific focus on IT

Backup solutions. In support of further mitigating measures the Council had also approved over £10m worth of investment in its IT Shared Service infrastructure roadmap. As a result of the issues identified members advised they would be keen for a further update to be provided as part of the next Corporate Risk Register update on the specific action being taken in response to the cyber security threats identified. Members were also advised of the planned inclusion of cyber security within the programme of internal audit activity.

- Given the potential impact of any changes in the levels of inflation and interest rates a query was raised regarding the way Council finances were subject to stress testing around these issues. In response members were advised how interest rates were tracked and kept under constant review as part of the Council's Treasury Management Strategy.
- In response to a query regarding how strategic action being taken in response to the climate emergency was reflected within the Corporate Risk Register members were advised how this activity was being co-ordinated through the Council's Climate Emergency Strategy. Members noted that the strategy had not yet been included on the audit programme but as activity was progressed it was anticipated any risks would be picked up as part of the relevant departmental risk registers.
- Members also sought further detail on the new risk identified in relation to the impact of the increase in deficit on the High Needs Block within the Dedicated Schools Grant (DSG). It was noted that the current deficit on the DSG totalled £10.5m as a result of the ongoing pressure on the High Needs Block. Whilst the Government had provided additional funding this had not been sufficient to address the growth in demand and as a result Brent had developed its own management plan and set of mitigating actions to address the pressure being experienced and in an effort to start recovering the cumulative deficit. A summary of these actions had been detailed with the Corporate Risk Register and whilst noting that this was a national rather than Brent specific issue members noted it was likely the cumulative deficit would increase prior to any reduction being achieved as a result of the measures identified. In support of the concerns identified Paul Dossett (Grant Thornton) highlighted the challenging nature of the issue and risks needing to be addressed from an audit and budgetary perspective, which he pointed out would also require a co-ordinated policy and funding approach from the Department for Education. Councillor McLennan in highlighting the work already undertaken by the Council in seeking to address and mitigate the issues and risks identified reemphasised that this remained a challenge for all local authorities and was one of the key issues which the London Local Authority finance leads were also seeking to address with the DfE.
- As a final query, details were sought on the way in which the issues previously raised around the Brent Pension Fund liabilities had been reflected as a risk. In response, members were advised that any issues or risks identified in relation to the Pension Fund would be included as part of the Finance Departmental Risk Register.

The Chair thanked officers for the report and information provided at the meeting and it was **RESOLVED** to note the current Corporate Risk Register and associated heat map, as detailed within Appendix 1 of the report.

12. External Audit's Enquiries of Management

Paul Dossett (Grant Thornton – External Auditor) supported by Sin Yee Tang (Senior Finance Analyst) introduced the report which advised the Committee of a change introduced by the Financial Reporting Council (FRC) in the expectations for how local authorities were audited.

In considering the report the Committee noted:

- The background to the changes introduced by the FRC, which had resulted in the Committee being asked to review the responses provided by the Council and Pension Fund to the Enquiries of Management as a means of informing the external audit risk assessment for Brent under the audit standards;
- The importance of the report in contributing towards the effective two-way communication between the council's external auditors and the London Borough of Brent's Audit and Standards Committee, as 'those charged with governance';
- Key areas on which the auditors were required to obtain an understanding of management process and oversight include the general enquiries of management, fraud, law and regulations, related parties and accounting estimates.

The following issues were raised in relation to the update provided and responses provided for review by the Committee:

- Confirmation was provided in relation to the general enquiries of management provided on the Pension Fund that this was in a position to meet its liabilities based on the latest actuarial and investment assessment undertaken in 2019. Clarification was also provided in relation to the level of employer contributions to the Pension Fund and impact in relation to the potential insourcing of Council services.
- In response to a follow up query on fluctuations in the employer contribution rates on the Pension Fund, members were advised of the way in which these were designed to reflect the valuation undertaken by the Fund actuaries. The deficit in terms of the Pension Fund liability presented in the draft statement of accounts was a different issue to the valuation, which had been based on the last review undertaken in 2019 and with the next scheduled for 2021/22. Following the next review there would be a further assessment of employer contributions. It was, however, common for Pension Fund liabilities to fluctuate on an annual basis between valuations.
- Attention was drawn to the change in the health service organisational structure relating to North West London given the reference to Brent CCG and pooled social care costs within the response on significant transactions outside the normal course of business detailed as part of the general enquiries of management on the Council's accounts. Whilst noting the change in structure, Paul Dossett advised that the key focus would remain on the relationship and nature of the transaction identified between the individual Council and relevant health body.
- As a final comment details were sought on the issue identified regarding non compliance on the VAT treatment of election costs referred to within the section from the general management enquiries on law and regulations. In response members were advised that a detailed response would need to be

provided on the issue outside of the meeting, although members were assured that the matter had been resolved with HMRC and a new process established to address the issue in relation to future VAT treatment.

As no further issues were raised members recognised the important role of the Audit & Standards Advisory Committee in terms of the assurance required on the response and it was **RESOLVED**, subject to the comments identified above to note and endorse:

- (1) the Brent Council Enquiries of Management as set out in Appendix 1 of the report; and
- (2) the Pension Fund Enquiries of Management as set out in Appendix 2 of the report.

13. **External Audit Progress Report and Sector Update**

Paul Dossett (Grant Thornton) presented the report, providing members with a summary of emerging national issues and developments that may be relevant to the local authority. In considering the report the following issues were noted:

- The progress being made on the Financial Statement audit on which a final opinion was due to be provided for the September meeting of the Committee. In terms of progress on the Financial Statement audit a number of technical issues had been identified in relation to the way grants received in relation to Covid were treated within the accounts.
- An update was provided on progress with the MRP audit with members also advised that the new Code of Audit Practice was now in force which required the Auditors Annual Report to include a commentary on the arrangements to secure value for money which covered the topics of financial sustainability, governance and economy efficiency and effectiveness. Whilst a more complex process, which also involved benchmarking and comparator analysis, work was progressing with an initial commentary to be provided for the Committee in the Audit findings report in September.
- Details were also provided on the sector update which included an outline of data provide by the Ministry for Housing Communities and Local Government (MHCLG) on Local Authority Covid pressures; Government response to the Redmond Review; powers being provided in relation to house building; Public Accounts Committee report on Government oversight on the system of local government audit; consultation on 2023-24 public sector audit appointments and Grant Thornton's Annual Transparency Report.

Commenting on the updates, members queried whether the benchmarking due to be undertaken as part of the Value for Money commentary in the Annual Audit Report could be extended to include a more detailed analysis on the Council's performance, on which Paul Dossett advised further analysis was due to be undertaken.

The Chair thanked Paul Dossett for the update and it was **RESOLVED** to note the content of the report.

14. **Audit & Standards Advisory Committee Forward Plan**


RESOLVED to note the Committee's latest Forward Plan and date of the next meeting as Wednesday 22 September 2021

15. **Any Other Urgent Business**

The Chair ended the meeting by taking the opportunity to advise members that this would be Michael Bradley's (Head of Internal Audit) final meeting of the Audit and Standards Advisory Committee, prior to him leaving the Council. He was praised for the valued service and support provided to the Committee and in developing the Council's audit and investigations function. In thanking and commending his hard work members ended by wishing him well for the future.

The meeting closed at 7.20pm

David Ewart
Chair

 Brent	Audit and Standards Advisory Committee 22 September 2021
	Report from: Director of Legal, HR, Audit & Investigations
Complaints & Code of Conduct	

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One Appendix A: Complaints received over the last 12months
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal, HR, Audit & Investigations Tel: 020 8937 1578 Debra.Norman@brent.gov.uk Biancia Robinson, Senior Constitutional & Governance Lawyer Tel: 020 8937 1544 Biancia.Robinson@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report provides an annual review of the complaints received pursuant to, and a review of the Members' Code of Conduct Complaints procedure.

2.0 Recommendations

- 2.1 That the:

- a) Audit and Standards Advisory Committee consider and note the contents of the report and note that no recommendations are being made to the Audit and Standards Committee.

3.0 Detail

Members' Code of Conduct Complaints Procedure (MCCCP)

Background

- 3.1 The Council has a duty to promote and maintain high standards of conduct by Members and Co-opted Members pursuant to section 27(1) of the Localism Act 2011. As required by section 27(2) of the Localism Act 2011, the Council has adopted a Code of Conduct (Code) dealing with the conduct that is expected of Members and Co-opted Members when they are acting in that capacity.
- 3.2 Section 28 of the Localism Act requires the Council to have arrangements under which it can investigate and make a decision on an allegation of a breach of the Code. The MCCCP complies with this statutory obligation. Any alleged breach of the Brent Code is considered in accordance with the MCCCP, which is used as guidance in the consideration and determination of complaints and reviews.
- 3.3 In accordance with:
 - a) para 1.10 of the MCCCP, *"the Standards Committee will convene from time to time to review the handling of complaints, reviews and decisions made with a view to identifying trends or any improvements in this procedure and the application of it that may be desirable"*; and
 - b) annexe 1, para 1.3 of the MCCCP, the complaint Assessment Criteria are subject to *"an annual review by the Standards Committee"*. This report sets out the annual review.

Complaints

- 3.4 In terms of background, in the last 12 months, the Monitoring Officer has received complaints and made determinations regarding seven councillors allegedly in breach of the Members' Code of Conduct. Of these complaints:
 - a) six have been resolved at Initial Assessment Stage;
 - b) three have been resolved at Assessment Criteria Stage;
 - c) two have been partially upheld as in breach of the Code;
 - d) none have been subject to review requests; and
 - e) none have escalated to hearing/formal investigation stage.

Attached as Appendix A is a summary of the complaints received in the last 12 months.

Overview

- 3.5 The MCCCP has a two stage assessment process. The first, **the Initial Assessment Stage**, requires an assessment of whether the alleged behaviour falls within the ambit of the Code of Conduct and in turn the Council's procedure. In particular it considers:

- a) the complaint is about a Member of the authority?
- b) the Member was in office at the time of the alleged complaint? and
- c) if proven, the complaint would disclose a breach of the Code?

If the alleged behaviour falls outside of the ambit of the Code or within one of the nine criteria set out in the procedure to be considered at the Initial Assessment Stage (see 3.2 of the MCCCCP), it will not progress to Assessment Criteria Stage, and, subject to a request for a review being received by the specified deadline, is concluded.

- 3.6 The **Assessment Criteria**, apply where the allegations appear to fall within the Code and are not excluded by the Initial Assessment Criteria. At this stage further readily available details are sought to ascertain the facts, and the member who is the subject of the allegations is provided with the opportunity to provide a written response to the complaint. This is then considered and, following consultation with the Independent Person, a determination in respect of the complaint is made in accordance with the seven options set out in the Assessment Criteria in Annex 1 of the MCCCCP. This may conclude the matter (subject to a review request), or may lead to a referral for detailed formal investigation of the complaint.

Decision Making

- 3.7 The Assessment Criteria are intended to be a guide and promote consistency in the decision-making. Consistency is also ensured as all complaints alleging breach of the Code are considered by the Monitoring Officer, (or in her absence the Deputy Monitoring Officer). This ensures a consistency of assessment and application of the criteria as the same officers are involved analysing and weighing up the allegations made in complaints. External scrutiny provided by the Independent Person involved in each complaint that reaches this stage provides double check on the thoroughness and fairness of the decision-making.
- 3.8 An advantage of Brent's MCCCCP is that it is very detailed in the procedure and guidance it provides. This is helpful for the Monitoring Officer, complainants and Members who are complained about and supports a higher degree of transparency and consistency than might arise in a less detailed high level procedure.
- 3.9 The Committee will see from Appendix A that the main finding at Initial Assessment Stage in respect of the complaints over the past 12 months is that the complaints "*do not disclose a sufficiently serious breach of the Code to merit further consideration*". The main rationale for this finding has been that no evidence has been submitted to support the allegations made; and when considering the allegations in context, the Councillors concerned were entitled to express the views which they did, be that orally or in writing.
- 3.10 The main recurring factor in relation to escalating complaints to the Assessment Criteria Stage have been the need for further information in order to understand the allegations, which necessitates making basic additional enquiries and seeking comment from the member concerned.

- 3.11 The Committee will be aware that the Code only permits the investigation of complaints against Members made in their “official capacity or when giving the impression [they] are acting as a member of the Council”, unless it relates to a serious criminal offence conducted in the Member's private capacity. Accordingly, any decision that purports to find a breach of the Code whilst the Member in question was acting in their private capacity, would be liable to challenge.
- 3.12 In the last 12 months, two complaints has been partially upheld as a breach of the Code. The Committee will be familiar with the facts of those complaints having considered and noted the findings at its previous meetings. All Standards complaints which are upheld are normally published on the Council's website, which is important for transparency, accountability and demonstrating the commitment to “maintain a high standard of conduct” from all members.
- 3.13 As the Committee is aware, following implementation of the Localism Act 2011, the Council has limited powers against a Member who has been found to have breached the Code. Any changes to strengthen a sanction for breach of the Code requires a change to the existing legislation. Consequently, the sanctions presently available are:
- a) censuring or reprimanding the Member
 - b) publishing a notice in respect of the findings in a local newspaper, or on the Council's website.
 - c) asking the Member to apologise
 - d) asking the Member to undergo training
 - e) recommending to Council/Cabinet that the Member be removed from an outside body
 - f) recommending to the Member's group Leader (or if independent – full Council) that they be removed from Cabinet/portfolio responsibilities
 - g) recommending to the Member's Leader (or if independent – full Council) that the Committee recommends that they be removed from a Committee.
 - h) Excluding the Member from the Council's offices or other premises, with the exception of meeting rooms necessary for attending Council and Committee meetings.

Reviews

- 3.14 Step 6 of Paragraph 3.5 of the MCCCCP provides that a “*complainant and the subject member of the complaint will ordinarily be given 10 working days from the date of notification of the decision to make a written request*” that the decision is reviewed. Of the nine Member complaints received no complainants have sought a review.

Changes to the MCCCCP

- 3.15 Changes to the MCCCCP requires formal approval of the Audit and Standards Committee. Upon reviewing the MCCCCP no changes are presently recommended.

4.0 Financial Implications

4.1 There are no financial implications arising out of this report.

5.0 Legal Implications

5.1 The legal implications are contained within the body of this report.

6.0 Equality Implications

6.1 There are no equality implications arising out of this report.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources/Property Implications (if appropriate)

8.1 Not applicable.

Report sign off:

Debra Norman

Director of Legal, HR, Audit & Investigations

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Complaints Received over the last 12 months

Resolved at Initial Assessment Stage

	Ref	Complainant (s)	Details of Complaint	Outcome	Review Requested	Review Outcome
1.	08.10.20	Member of Public	Complaint regarding comments made and published on planning application.	<p>Decision under Initial Assessment Criteria:</p> <p>Complaint is not considered to disclose a sufficiently serious potential breach of the Code to merit further consideration.</p> <p>A Cllrs right includes a right to express views which others may find objectionable. The comments may have been provocative and unhelpful, but any finding of breach of the Code would be disproportionate on the facts of this particular complaint.</p>	No	N/A
2.	09.10.10	Member of Public	Complaint regarding comments posted (1) online and (2) in person as well as in relation to (3) internal communications disclosed by way of an information request	<p>Decision under Initial Assessment Criteria:</p> <p>Allegation one is not considered to disclose “a sufficiently serious potential breach of the Code to merit further consideration” as a Cllrs right includes a right to express views which others may find objectionable. The comments may have been provocative and unhelpful, but any finding of breach of the Code would be disproportionate on the facts of this particular complaint. Further the complaint is “the same or substantially the same” as a complaint previously dealt with.</p>	No	N/A

				Allegation two is not considered to disclose “a sufficiently serious potential breach of the Code to merit further consideration” for the same reason as allegation one. Allegation three does not relate to the councillor complained about.		
3.	14.01.21	Member of Public	Complaint regarding conduct of Cllr at Committee meeting.	Decision under Initial Assessment Criteria: The complaint is not considered to disclose a sufficiently serious potential breach of the Code to merit further consideration. There was no evidence to suggest the Cllr had failed to maintain a high standard of conduct or was un-accountable ¹ .	No	N/A
4.	03.08.21	Member of Public	Complaint Cllr breached a pledge made at a public meeting in 2014.	Decision under Initial Assessment Criteria: The period since the alleged behaviour is so significant that it is considered to be inequitable, unreasonable or otherwise not in the public interest to pursue; as the nature of the statement, changes in circumstances and progress during that period it would be inequitable and unreasonable to pursue the complaint further now.	No	N/A

¹ in line with the Appendix 1, seven principles of conduct in public life

Complaints & Code of Conduct Report, Appendix A

5.	16.08.21	Member of Public	Complaint regarding breach of conduct by Cllr in relation to declarations of interests.	Decision under Initial Assessment Criteria: Complaint was not considered to disclose a sufficiently serious potential breach of the Code to merit further consideration. The Cllr had no business or land ownership connection with the address, and the address was not located within the borough of Brent.	No	N/A
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Resolved at Assessment Stage

6.	06.08.20	Member of Public	A complaint was made concerning a number of matters raised in an email which had been circulated to all councillors and also been seen by the complainant.	Decision under Assessment Criteria: On the balance of probabilities there had been no breach of the Code and the Cllr had raised their enquiries properly in their capacity as a councillor and not in order to improperly disadvantage the business concerned.	No	N/A
7.	4.2.21	x1 Councillor, x2 Members of Public	Complaint that Cllr breached the Members' Code of Conduct in relation to their behaviour at meetings and written communication.	Decision under Assessment Criteria No breach of the Code. Cllrs have the right to express views which others may find objectionable or even offensive as a matter of freedom of speech. Comments which constitute political expression attract an enhanced level of protection under Article 10.	No	N/A

				However, the Cllr was reminded to be temperate in their communication.		
8.	16.03.21	Councillor	Complaint that Cllr failed to declare a personal interest at Full Council.	<p>Decision under Assessment Criteria (partially upheld)</p> <p>In failing to disclose the existence and nature of the personal interest (before the appointment to bodies' decision was made) there was a minor or technical breach of the code, but it was not in the public interest to pursue.</p>	No	N/A
9.	11.06.21	Member of Public	Allegations were made of a breach of the Member's Code of Conduct by two Cllrs in relation to their attendance at Ealing Road Temple during a prayer and reflection event organised by the Brent Multi Faith Forum.	<p>Decision under Assessment Criteria (partially upheld)</p> <p>Finding of a breach of the Code of Conduct without an investigation. The allegation that the councillors had brought their office or the council into disrepute was not upheld.</p> <p>Both councillors acknowledged that they had inadvertently breached the restrictions on such events in place at the time and were apologetic about how this may have appeared to the public.</p>	No	N/A

				Both apologised publically with copies of their apology posted on the council intranet page.		
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 Brent	Audit and Standards Advisory Committee 22 September 2021
	Report from: Director of Legal, HR, Audit & Investigations
Standards Report (including quarterly update on Gifts & Hospitality 01.07.21 – 30.09.21 and mandatory training)	

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal, HR, Audit & Investigations Tel: 020 8937 1578 Debra.Norman@brent.gov.uk Bianca Robinson, Senior Constitutional & Governance Lawyer Tel: 020 8937 1544 Bianca.Robinson@brent.gov.uk

1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions.

2.0 Recommendation

- 2.1 That the Committee note the contents of the report.

3.0 Detail

Gifts & Hospitality

- 3.1 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year.
- 3.2 Gifts and hospitality received by Members are published on the Council's website and open to inspection at the Brent Civic Centre.
- 3.3 During the second quarter (April – June 2021) the gifts and hospitality received has been recorded as per Table One below.

Table 1

Councillor	Date	Gift/Hospitality	Value	From
Cllr M Butt	13.06.2021	2 x tickets England v Croatia	Approximate value £150.00 x 2.	Received from GLA
Cllr M Butt	07.07.2021	2 x tickets England v Denmark	Approximate value £150.00 x 2.	Received from GLA
Cllr M Butt	11.07.2021	2 x tickets to Final Euro's	Approximate value £150 x 2.	Gift from GLA
Cllr K Sheth	29.06.2021	2 x tickets England v Germany	Estimated value £150.00 x 2	Received from FA.

- 3.4 The Committee should note, as part of the External Audit progress report, Grant Thornton have completed their value for money review and made recommendations with respect to increasing the transparency and accessibility of gifts and hospitality. This report and officers comments in relation to the recommendations are on the Committee agenda for discussion at this evening's meeting.

Member Training Attendance

- 3.5 The Committee will be pleased to note that all Members have undertaken and completed all mandatory training with exception of Data Protection/GDPR training.
- 3.6 The next period in which Members will have to undertake the mandatory training including the usual committee training, is after the 2022 local elections.
- 3.7 The following members are yet to complete e-learning Data Protection/GDPR course. The asterisk denotes members who have started but are yet to complete the training.

Data Protection for elected members

Cllr.Abdirazak.Abdi
Cllr.Rita.Conneely
Cllr.Harbi.Farah*
Cllr.Erica.Gbajumo*
Cllr.Gwen.Grahl
Cllr.Daniel.Kennelly*
Cllr.Arshad.Mahmood
Cllr.Roxanne.Mashari
Cllr.Lloyd.McLeish*
Cllr.Kana.Naheerathan*
Cllr.Neil.Nerva*
Cllr.Keith.Perrin*
Cllr.Eleanor.Southwood*

4.0 Financial Implications

4.1 There are no financial implications arising out of this report.

5.0 Legal Implications

5.1 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011. The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members' Code of Conduct as set out in Part 5, of the council's Constitution.

6.0 Equality Implications

6.1 There are no equality implications arising out of this report.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources/Property Implications (if appropriate)

8.1 Not applicable.

Report sign off:

Debra Norman

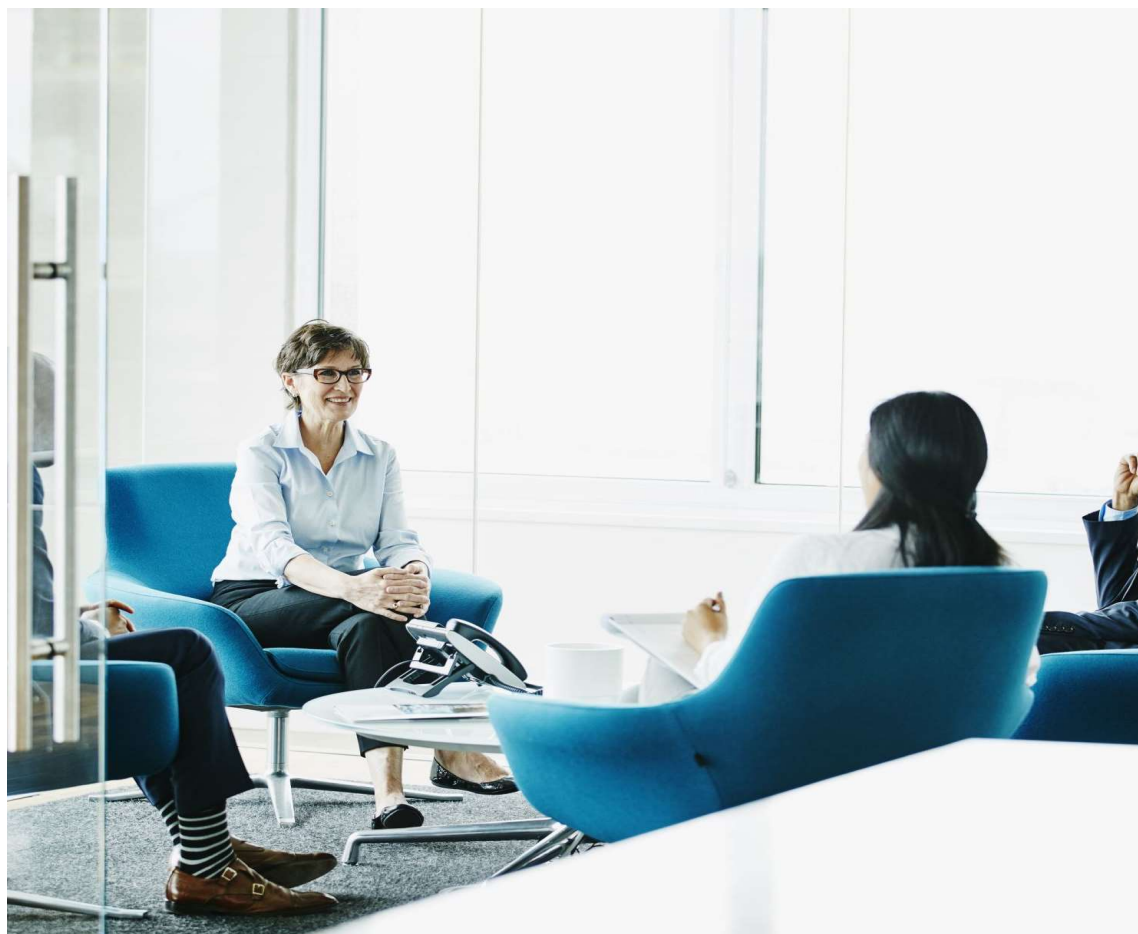
Director of Legal, HR, Audit & Investigations

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The Audit Findings for London Borough of Brent

Year ended 31 March 2021

London Borough of Brent
September 2021
Page 27



Contents



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Section

1. Headlines
2. Financial statements
3. Value for money arrangements
5. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

Page

- 3
- 6
- 26
- 28

- 31
- 33
- 34
- 36

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

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

Name: Paul Dossett
For Grant Thornton UK LLP
Date: 15 September 2021

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1. 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 2021 for those charged with governance.

Page 29

Financial Statements

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

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

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

Our audit work was completed remotely during July to September. Our findings are summarised on pages 5 to 20. We have identified three adjustments to the financial statements that have resulted in a £2.944m adjustment to the Council's Comprehensive Income and Expenditure Statement – a reduction to expenditure of £2.944m, this is reversed in the Movement in Reserves Statement, so that the overall impact on the General Fund is nil. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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

- PPE revaluation – we have queries outstanding with management's valuer (WHE) in respect of useful economic lives (UEls) of buildings and are discussing with management the approach adopted for the calculation of depreciation rates for buildings.; we are also – reviewing responses received from WHE on assumptions used in the valuation; completing a valuation trend exercise; and we have selected an additional 12 revalued asset items for detailed testing for which we await supporting audit evidence (issued 16/9/21). Our testing of revaluation accounting entries has identified a difference of £1m we are investigating with management;
- Council dwellings revaluation – we are reviewing WHE's response to indexation rates used in the desktop revaluation exercise, and we also reviewing management's social housing discount factor reconciliation;
- Assets under construction – we await receipt of 10 sample items for sample issued on 13/9/21;
- Journals testing – testing of 67 journals is complete and the work is going through the quality review process;
- Grant income – we are performing a trend analysis against prior year income in respect of areas of lost income claimed for 2020/21 and we await response on quantification of error identified in respect of grant classification;
- Operating expenditure – of 120 sample items we have completed testing on 117 items, with 3 items awaiting further audit evidence;
- Creditors – of 25 residual creditor sample items we have completed testing on 24 items, with one sample item awaiting further audit evidence; of 6 creditor accrual items we have completed testing on 5 items with one sample item awaiting further audit evidence;

1. 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 2021 for those charged with governance.

Page 30

Financial Statements

Outstanding matters – continued

- Residual debtors – of 10 sample items we have one remaining item we are querying with management;
- Expenditure & Funding Analysis – query with management for the difference between figures disclosed for 2019/20 against prior year audited figures;
- Remuneration disclosures – of 5 exit packages sampled we await further audit information for 4 items;
- Group accounts – we await the updated group accounts working paper, incorporating the accounting adjustments for i4B and FWH;
- Prior Period Adjustment – we await responses to our queries to confirm correct accounting treatment of correction of prior year bank reconciliation issue (see below);
- IFRS16 – we await updated working paper to confirm impact of the introduction of IFRS16;
- 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 (refer to Appendix E).

Prior Period Adjustment

The 2020/21 financial statements includes a prior period adjustment in relation to cash in transit of £10m. This results in a restated balance sheet to correct the 2019/20 figures - please refer to page 18 for further detail.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work, which is summarised on page 26, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources at this stage.

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 expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in October 2021.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the group'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 Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that analytical reviews were required for each component; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Standards Committee meeting on 22 September 2021, as detailed in Appendix E. The outstanding items are detailed on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our audit plan presented to the Audit & Standards Committee in March 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as video meetings to conduct all progress meetings and to go through audit queries/evidence, verifying the completeness and accuracy of information provided remotely produced by the Council, and provision of all audit evidence through the Inflo system. Whilst challenging we were able to draw on and apply learning from last year's audit.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan. We detail in the table beside our determination of materiality for the London Borough of Brent.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,176,000	16,100,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective was to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was used in the prior year also. We considered 1.5% to be an appropriate rate to apply to the gross expenditure benchmark.
Performance materiality	12,132,000	12,075,000	The Council does not have a history of significant deficiencies or a large number of misstatements.
Trivial matters	808,800	805,000	The threshold above which we are required to report errors or uncertainties to those charged with governance, calculated as 5% of materiality.
Materiality for senior officers' remuneration and related parties	808,800	805,000	Senior officer remuneration and related parties are areas of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management override of controls

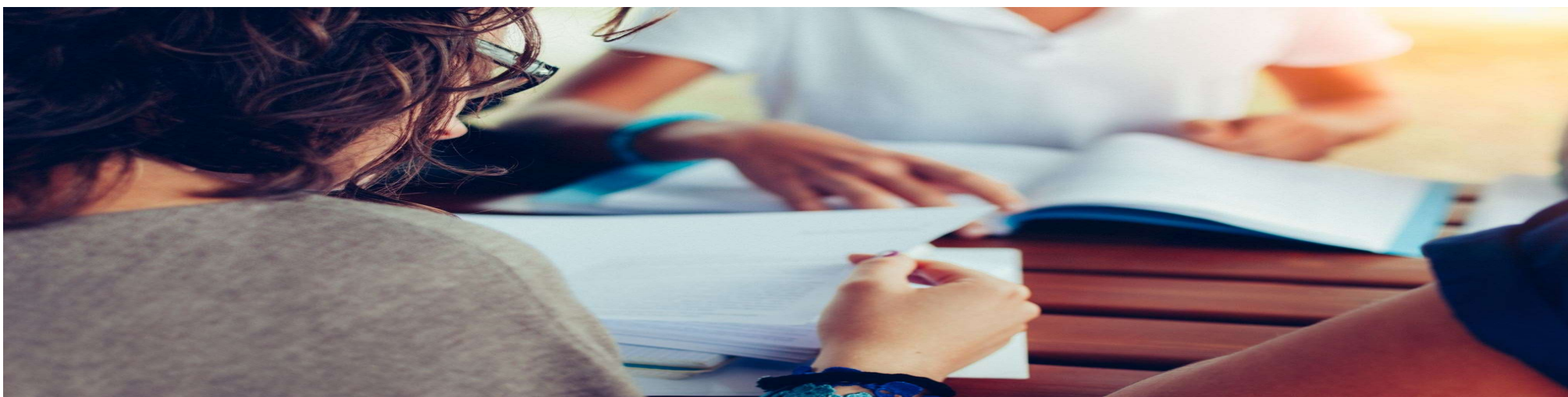
Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.

We have:

- Evaluated the design effectiveness of management controls over journals.
- Analysed the journals listing and 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 consider their reasonableness with regard to corroborative evidence.
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our testing to date has not identified any issues in respect of the risk identified. We will provide an update to Audit & Standards Committee on 22 September.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraud in expenditure recognition

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

We have:

- Inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.
- Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compare size and nature of accruals at year to the prior year to help ensure completeness.
- Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.
- Reviewed Covid-19 Delta returns to ensure expenditure areas are in line with our expectations and performed trend analysis of prior year income compared to loss of income reported in the returns.

Our testing to date has not identified any issues in respect of the risk identified. We will provide an update to Audit & Standards Committee on 22 September.

Valuation of land and buildings

The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1,608m) and the sensitivity of the estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2021 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
- Evaluated the competence, capabilities and objectivity of the valuation expert.
- Discussed with or write to the relevant valuer to confirm the basis on which the valuation was carried out.
- Engaged our own valuer expert, Gerald Eve, to provide commentary on:
 - the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
 - the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
- Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Our auditor's valuation expert noted that the remaining useful economic lives (UELs) stated in management's valuation expert's, WHE, valuation summary are skewed towards the higher end, with nearly all buildings having UELs of approximately 49-51 years. We are reviewing the impact of this on in-year depreciation charged and accumulated buildings depreciation, having discussion with both WHE and our auditor's valuation expert, but do not expect the impact to be significant given that depreciation stands at £16.6m at 31 March 2021, with £13.4m of this relating to in-year depreciation. Refer also to page 11 for consideration of land and buildings valuation as a key estimate.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The pension fund net liability, as reflected in the Council's 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 (£863m) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the Council but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (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 Council's pension fund valuation.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Our testing to date has not identified any issues in respect of the risk identified. We will provide an update to Audit & Standards Committee on 22 September.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,010.7m	<p>Other land and buildings comprises £706m 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 (£304.7m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 1 April 2020 on a five yearly cyclical basis. 39% of total assets were revalued during 2020/21. The valuation of properties valued by the valuer has resulted in a net increase of £31.5m. Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2020, based on the market review provided by the valuer as at 31 March 2021, 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 £1,010.7m, a net increase of £21.6m from 2020/21 (£989.1m).</p> <p>Management has not documented consideration of alternative estimates for the valuation of its land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected given the Council's estate.</p>	<p>Through the substantive audit work performed we have arrived at the conclusion that the Council's estate as at 31 March 2021 is not material misstated based on the following outcomes:</p> <ul style="list-style-type: none"> We reviewed the land and buildings valuation estimate in line with the revised ISA540 requirements and have no issues to raise; We assessed management's valuation expert and found them to be competent, capable and independent; We concluded that the underlying information used to determine the estimate is complete and accurate; We assessed alternative site assumptions to be reasonable; and We verified the valuer's outcome against our independent auditor's expert valuation trend report. <p>Revised ISA540 requires enhanced disclosure of accounting estimates in the financial statements and the Council could do more to improve the quality of its disclosures around estimation uncertainty of land and buildings valuations, along with consideration of alternative estimates that are available.</p> <p>Refer also to page 9 for our comments on the depreciation of buildings.</p>	Blue

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
Net pension liability – £863m	<p>The Council's net pension liability at 31 March 2021 is £863m (PY £660.2m) 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.</p> <p>The latest full actuarial valuation was completed in 2019. 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 £202.8m net actuarial loss during 2020/21.</p>	<ul style="list-style-type: none"> 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 2019/20 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: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.0%</td><td>Between 1.95% to 2.05%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.85%</td><td>Between 2.8% to 2.85%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.15%</td><td>Between 2.85% to 3.85%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>Pensioners: 22.3 years Future-pensioners: 23.5 years Used CMI 2020 Model with long term improvement rate of 1.5%</td><td rowspan="2">Scheme specific but would expect actuary to calculate using the CMI 2020 Model with long term improvement rate of 1.5% pa</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>Pensioners: 24.7 years Future-pensioners: 26.2 years Used CMI 2020 Model with long term improvement rate of 1.5%</td><td>●</td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.0%	Between 1.95% to 2.05%	●	Pension increase rate	2.85%	Between 2.8% to 2.85%	●	Salary growth	3.15%	Between 2.85% to 3.85%	●	Life expectancy – Males currently aged 45 / 65	Pensioners: 22.3 years Future-pensioners: 23.5 years Used CMI 2020 Model with long term improvement rate of 1.5%	Scheme specific but would expect actuary to calculate using the CMI 2020 Model with long term improvement rate of 1.5% pa	●	Life expectancy – Females currently aged 45 / 65	Pensioners: 24.7 years Future-pensioners: 26.2 years Used CMI 2020 Model with long term improvement rate of 1.5%	●	Light purple
Assumption	Actuary Value	PwC range	Assessment																							
Discount rate	2.0%	Between 1.95% to 2.05%	●																							
Pension increase rate	2.85%	Between 2.8% to 2.85%	●																							
Salary growth	3.15%	Between 2.85% to 3.85%	●																							
Life expectancy – Males currently aged 45 / 65	Pensioners: 22.3 years Future-pensioners: 23.5 years Used CMI 2020 Model with long term improvement rate of 1.5%	Scheme specific but would expect actuary to calculate using the CMI 2020 Model with long term improvement rate of 1.5% pa	●																							
Life expectancy – Females currently aged 45 / 65	Pensioners: 24.7 years Future-pensioners: 26.2 years Used CMI 2020 Model with long term improvement rate of 1.5%		●																							

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £863m - continued		<ul style="list-style-type: none"> 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 changes in 2020/21 to the valuation method. We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets. Our work confirms that the increase in the IAS 19 estimate is reasonable. 	Light purple

Page 39

Assessment

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

2. Financial Statements - key judgements and estimates

	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing – £670.1m	<p>The Council owns 7,912 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 £670.15m, a net increase of £51.6m from 2018/19 (£618.5m). There was also a net increase of 118 dwellings between 2019/20 to 2020/21 purchase of and new build dwellings.</p>	<ul style="list-style-type: none"> The Council's valuer WHE last valued the entire housing stock as at 1 April 2016 using the Beacon methodology. For 2020/21 the valuer reviewed market changes from 1 April 2020 to 31 March 2021 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, WHE, to be competent, capable and objective. We engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. 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. We have been able to roll forward our sample testing of Beacon properties from 2018/19 and have no issues to report. We confirm that the estimate is consistent against valuation trends of similar properties (Gerald Eve report) with house prices for outer London council dwellings having growth of 6-7%. We have agreed the HRA valuation report to the Statement of Accounts. This year the Council changed its approach in the application of indexation to council dwellings. In prior years indexation was applied to the brought forward net book value as at 31 March of the previous year. From this year onwards the Council has applied indexation to the gross carrying amount as at 31/3/2021, so that in-year additions and disposals are also accounted for. The difference arising from this change resulted in a £20m increase compared to if the prior year approach was used. The Council not disclosed the change in approach in the financial statements despite the impact being material. We challenged management on the rationale for changing the approach as additions do not require full uplift in year of acquisition and the change in estimation technique created a material difference that may also need to be reviewed and applied retrospectively to prior years. The Council has assessed that the prior year approach gives the best estimate of council dwellings valuation and will revise this in the final set of financial statements – refer to Appendix C for the adjustment. 	Light purple
Assessment <ul style="list-style-type: none"> ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious 			

2. Financial Statements - key judgements and estimates

	Summary of management's approach	Audit Comments	Assessment
PFI provision - £18.8m	In 2018/19 the Council took the decision to convert tenancies under the Housing PFI to discounted market rent units. The tenancies conversion was slower than anticipated, exacerbated by the Covid-19 pandemic. There is now a need to review the original financial model and re-assess the level of provision required. In the updated finance model there is a need to increase the provision originally set aside for the PFI (£5.7m in 2019/20).	<ul style="list-style-type: none"> The draft financial statements includes an accounting policy for provisions and PFI schemes. The disclosure of the PFI provision within the financial statement is adequate. Our review of the PFI provision calculation confirms that appropriate information has been used to determine the estimate and we deem the estimate to be reasonable. 	Light purple
Minimum Revenue Provision - £10.3m	<p>The Council is responsible, on an annual basis, for determining the amount charged for the repayment of debt – known as its Minimum Revenue Provision (MRP). The Council's approach to the MRP is set out to Members as part of the Budget and council tax proposals each year. The basis for the charge is set out in Regulations and statutory guidance.</p> <p>This year the MRP charge was £10.3m, a net decrease of £300k from 2019/20 (£10.6m).</p>	<p>Whilst we are satisfied that the Council has approved its MRP through appropriate governance structures and has sufficient reserves to cover the impact of any changes in approach that may arise out of recent MHCLG consultations, the Council will need to ensure that the MRP continues to be adequate in the context of increased borrowing. Recent events with other councils show that there are significant risks attached to not ensuring that MRP keeps pace with increased borrowing.</p> <p>We have carried out the following work:</p> <ul style="list-style-type: none"> Confirmed that the Council's policy on MRP complies with statutory guidance. Assessed that there are no changes to the Council's MRP policy in comparison to 2019/20. Compared the Council's MRP percentage against total debt held by the Council (see page 16) which shows that the Council sits in the red range of MRP as a percentage of its debt. <p>We are currently in discussions with management to conclude on the reasonableness of the decrease in the MRP charge for 2020/21.</p>	Blue

Assessment

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

2. Financial Statements - key judgements and estimates

MRP analysis of London Borough Councils

	MRP/Total Debt 2019/20	MRP/Total Debt 2020/21	Total Debt as % of CFR 2019/20	Total Debt as % of CFR 2020/21
London Borough of Brent				
London Borough Council A				
London Borough Council B				
London Borough Council C				
London Borough Council D				
London Borough Council E				
London Borough Council F				
London Borough Council G				
London Borough Council H				
London Borough Council I				

Key:

MRP	Debt as % CFR
Greater than 2%	Less than 60%
Between 1.25 - 2%	Between 60% and 80%
Less than 1.25%	Greater than 80%

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £744.9m	<p>Management's policy states that grants are immediately recognised where the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.</p> <p>For this purpose, the Council acts as the principal and credited such grants, contributions and donations to the Comprehensive Income and Expenditure Statement. These mainly comprise of:</p> <ul style="list-style-type: none"> Local Authority Discretionary Grant Fund (LADGF) COVID-19 Emergency Funding COVID-19 LA Support Grant COVID Winter Grant Scheme Infection Control Fund Contain Outbreak Management Fund Business Rate Relief S31 Grant Council Tax Hardship Fund Sales Fees And Charge Additional Restrictions Grant <p>However, for some grants, The Council is also acting as an agent and does not recognise grant income. The Council has recognised the following grants as agency transactions:</p> <ul style="list-style-type: none"> Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF) Business Grants Fund Local Restrictions Support Grant (including Addendum) <p>Work performed on grants confirm that the judgements exercised by the Council management in determining whether they are acting as principal or agent have been reviewed in detail and no material issues were noted.</p>	<p>Work performed during our audit covered the following:</p> <ul style="list-style-type: none"> Review of management's judgement of whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all. Completeness and accuracy of the underlying information used to determine whether there are conditions outstanding that would determine whether the grant be recognised as a receipt in advance or income Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. Reviewed adequacy of disclosure of management's policy around recognition of grant income in the financial statements. <p>We are finalising our work in this area and will provide an update to Audit & Standards Committee on 22 September.</p>	Light Purple

Assessment

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

2. Financial Statements - Internal Control

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 risk	Recommendations
<div data-bbox="91 718 134 861" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 44</div> <div data-bbox="174 534 219 574">●</div>	<p>Prior period error – Bank reconciliation</p> <p>In 2019/20 the bank reconciliation did not include £10m of cash in transit. This is because the accounts payable system was not able to readily flag the cash in transit relating to a £10m payment run on 31 March 2020. The reason for the difference was only identified through combining two different system reports and careful review by the Chief Accountant. Whilst investigating the difference the £10m was journaled into earmarked reserves but not allocated to a specific project so that it could be reversed once the issue was resolved.</p> <p>The error has been corrected in the 2020/21 financial statements. We are in the process of confirming the correct accounting entries for the correction with management.</p>	<ul style="list-style-type: none"> • Ensure the bank reconciliation includes review of in-year movement on the bank reconciliation to the bank statement, to identify any significant movements in cash in transit. • Discuss errors/issues with external audit as they arise so correct treatment can be agreed in year of audit. <p>Refer to Appendix A for management response.</p>
<div data-bbox="174 989 219 1029">●</div>	<p>Grants register</p> <p>As part of our grants testing we have identified that:</p> <ul style="list-style-type: none"> • The grants register provided to audit was not up to date or reconciled to the financial statements. • The balance of Covid-19 grants shown in the financial statements did not agree to the grants register. 	<ul style="list-style-type: none"> • Regularly review and update the grants register. • Reconcile the grants register to the financial statements as part of the accounts preparation process. <p>Refer to Appendix A for management response.</p>

Assessment

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

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	<p>Payroll creditors reconciliation</p> <p>In reconciling payroll creditors management is unable to reconcile a £1.6m difference. The reconciliation is challenging as the items within the balance relate to prior years, the recording of historic information is poor and there is a large volume of transactions to review.</p>	<p>Complete reconciliation of payroll creditors and identify any issues which may apply to future years' reconciliations.</p> <p>Refer to Appendix A for management response.</p>
●	<p>IT audit control findings – Security management</p> <ol style="list-style-type: none"> 1. Business users with critical access privileges assigned – 15 business users with financial responsibilities also have access to a range of high-risk system administration functions. 2. Segregation of duty conflicts with system administration and application development responsibilities assigned to one user. 3. Management and monitoring of generic administrator account activity – there is currently no audit logging enabled on the Oracle database, and KeePass password manager is located in a folder that is accessible by all of the Oracle EBS team. 4. Weak password configuration settings for Oracle EBS application and database. 5. Leavers accounts not disabled in a timely manner. 6. Lack of formal documentation for review of 'Signon audit reports' (equivalent of security event logs). 	<p>Review and address detailed recommendations as set out in the 2020/21 IT Audit Report.</p> <p>Refer to Appendix A for management response.</p>

Assessment

2. Financial Statements - matters discussed with management

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

Significant matter	Commentary	Auditor view and management response
Future Funding	Government funding to support councils through the Covid-19 pandemic was helpful in 2020/21 and the rollover funding for 2021/22 was in line with previous funding settlements. However, the Spending Review, which will be announced at the end of October, carries a significant funding risk for all councils, as the Government seeks to balance current funding with paying back the monies to support the economy during the height of the pandemic.	<p>The Council will need to start planning its 2022/23 budget and beyond, in an environment with high risk of further challenges, including management of the local impact of recent announcements on health and social care funding.</p> <p>Management response</p> <p>The Council agreed a two year budget in February 2021 covering the period 2021/22 and 2022/23. This includes delivering savings of £11.2m over this period as well as providing growth to contain the additional expenditure and income losses as a result of COVID-19. To date, our quarterly forecast reports presented to Cabinet have found that the majority of savings are on track to be delivered and that the growth provided to departments is sufficient to contain the financial impact of COVID-19 in 2021/22. As we look ahead to the 2022/23 budget setting process, a key contributing factor will be the outcome of the Spending Review for Local Government. Depending on the outcome, our Medium Term Financial Strategy will be updated, with regards to income and expenditure assumptions, to inform the decisions required set a balanced budget for 2022/23.</p>
Dedicated Schools Grant (DSG)	<p>The Council's overall DSG deficit has increased to £10.5m in 2020/21 (an in-year deficit of £5.6m and a carried forward deficit of £4.9m in 2019/20). The deficit is against the High Needs Block, which has come under increased pressure in supporting children with special educational needs – nationally the 2020/21 growth in Education, Health and Care Plans was a 10% increase, but in Brent this has been 16%, leading to spend that is significantly higher than funding provided by the Department for Education.</p> <p>The deficit is to be disclosed as an earmarked unusable reserve in line with Regulations. The £10.5m deficit will be carried forward to 2021/22.</p>	<p>The trend of demand and spending for children with special educational needs is increasing each year. The Council must identify actions to recover the cumulative DSG deficit, and identify longer term actions to increase the amount of special education provision within the Borough to reduce cost pressures.</p> <p>Management response</p> <p>A management plan has been put in place with actions to mitigate the current pressure and introduce measures to realise cost avoidance over the next few years. The plan assumes a gradual reduction in the growth of the number of children in need of an Education and Health Care Plan from 16% to 7% by 2025/26. Assuming a projected increase of 7% in the High Needs Block funding over the next few years, the expectation is for the in-year pressure to reduce. However, although the pressure is forecast to slow down, the cumulative deficit will increase before a reduction occurs which is likely to be from 2024-25.</p>

2. Financial Statements - other communication requirements

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

Page 47

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit & Standards Committee papers.

2. Financial Statements - other communication requirements



Page 48

Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All requests were returned with positive confirmation.</p> <p>We requested management to send letters to those solicitors who worked with the Council during the year. As at 10 September we have received all but two responses. We have requested management to follow up the outstanding responses.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We are finalising our review and will communicate any findings to management.</p>
Audit evidence and explanations/ significant difficulties	<p>All information and explanations requested from management is being provided in a prompt manner.</p> <p>At the start of the audit transaction listings for income and expenditure contained many contra entries which ultimately reverse out and do not form part of the year end balances. We worked with the Council to ensure that transaction listings were cleansed before we selected samples.</p> <p>In some instances the quality of working papers provided has not been consistent. Not all working papers provided were simple to follow which has meant that many sample items have had to be revisited numerous times to get the sufficient level of evidence needed for the audit.</p> <p>Both issues have caused some delay to audit progress and we have raised a recommendation in Appendix A.</p>

2. Financial Statements - other communication requirements



Our responsibility

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

Page 49

Issue	Commentary
Going concern	<p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2013 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 983" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 999 2051 1137">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1153 1977 1259" style="list-style-type: none"> • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; and • the Council's system of internal control for identifying events or conditions relevant to going concern. <p data-bbox="871 1275 2051 1297">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1313 2051 1407" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>We have nothing to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>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.</p> <p>We plan for this work to be completed in line with the national deadline.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of the London Borough of Brent, as detailed in Appendix E, until the work on the WGA consolidation pack is complete.</p>

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made.
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made.

5. 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

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

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

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

Audit related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No non-audit services were identified which were charged from the beginning of the financial year to September 2021. The table below sets out the audit related services provided, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits Subsidy return	£18,000 plus £1,000 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 £18,000 in comparison to the total fee for the audit of £227,184 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 Teachers' Pensions return	£5,000	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 £5,000 in comparison to the total fee for the audit of £227,184 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 return	£4,000	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 £4,000 in comparison to the total fee for the audit of £227,184 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.
i4B Holdings Ltd audit	£31,500	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £31,500 in comparison to the total fee for the audit of £227,184 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	£29,500	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £29,500 in comparison to the total fee for the audit of £227,184 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.

All services have been approved by the Council's S151 Officer. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 5 recommendations for the group 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 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>Prior period error – Bank reconciliation</p> <p>In 2019/20 the bank reconciliation did not include £10m of cash in transit. This is because the accounts payable system was not able to readily flag the cash in transit relating to a £10m payment run on 31 March 2020. The reason for the difference was only identified through combining two different system reports and careful review by the Chief Accountant. Whilst investigating the difference the £10m was journaled into earmarked reserves but not allocated to a specific project so that it could be reversed once the issue was resolved.</p> <p>The error has been corrected in the 2020/21 financial statements.</p>	<ul style="list-style-type: none"> Ensure the bank reconciliation includes review of in-year movement on the bank reconciliation to the bank statement, to identify any significant movements in cash in transit. Discuss errors/issues with external audit as they arise so correct treatment can be agreed in year of audit. <p>Management response</p> <p>The process for bank reconciliation was improved significantly for 2020-21, which is what allowed us to identify this issue. Further enhancements are planned for Oracle Cloud to allow us to keep better track of cash and cash in transit, and make the bank reconciliation more robust.</p>
High	<p>Transaction listings and audit evidence</p> <p>At the start of the audit transaction listings for income and expenditure contained many contra entries which ultimately reverse out and do not form part of the year end balances. We worked with the Council to ensure that transaction listings were cleansed before we selected samples.</p> <p>In some instances the quality of working papers provided has not been consistent. Not all working papers provided were simple to follow which has meant that many sample items have had to be revisited numerous times to get the sufficient level of evidence needed for the audit.</p> <p>Controls</p> <ul style="list-style-type: none"> High – Significant effect on financial statements Medium – Limited Effect on financial statements Low – Best practice 	<ul style="list-style-type: none"> Transaction listings provided to audit should be cleansed of significant contra entries. Quality of working papers should be consistent and easy to follow, containing the required information for audit. <p>Management response</p> <p>The challenge in providing listings for audit that remove contra entries is an IT one; Finance will work with colleagues in IT to identify better ways to remove duplicate entries.</p> <p>Training will be provided to colleagues in finance on producing working papers. This year we introduced a peer review process to help address weaknesses in working papers, this will be enhanced in 2021-22, and supported by training on how to review working papers.</p> <p>Heads of Finance will be required to review a sample of working papers for journals for their area and report to the Director of Finance monthly on the quality of these working papers.</p> <p>A review of debtors and creditors will be undertaken to ensure that we have the necessary information for all debtors and creditors.</p>

A. Action plan – Audit of Financial Statements – continued

Assessment	Issue and risk	Recommendations
Medium	<p>Grants register</p> <p>As part of our grants testing we have identified that:</p> <ul style="list-style-type: none"> The grants register provided to audit was not up to date or reconciled to the financial statements. The balance of Covid-19 grants shown in the financial statements did not agree to the grants register. 	<ul style="list-style-type: none"> Regularly review and update the grants register. Reconcile the grants register to the financial statements as part of the accounts preparation process. <p>Management response</p> <p>There will be monthly reviews of the grant register, this will include the addition of a trial balance to be incorporated into the register to aid reconciliation. Additional checks will place as part of the accounts preparation process to ensure the accuracy of the information.</p>
Medium	<p>Payroll creditors reconciliation</p> <p>In reconciling payroll creditors management is unable to reconcile a £1.6m difference. The reconciliation is challenging as the items within the balance relate to prior years, the recording of historic information is poor and there is a large volume of transactions.</p>	<p>Complete reconciliation of payroll creditors and identify any issues which may apply to future years' reconciliations.</p> <p>Management response</p> <p>We are currently working on a reconciliation of the payroll creditors, which will address this issue. We have revised processes for Oracle Cloud to make payroll creditors easier to reconcile in future.</p>
Medium	<p>IT audit control findings – Security management</p> <ol style="list-style-type: none"> Business users with critical access privileges assigned – 15 business users with financial responsibilities also have access to a range of high-risk system administration functions. Segregation of duty conflicts with system administration and application development responsibilities assigned to one user. Management and monitoring of generic administrator account activity – there is currently no audit logging enabled on the Oracle database, and KeePass password manager is located in a folder that is accessible by all of the Oracle EBS team. Weak password configuration settings for Oracle EBS application and database. Leavers accounts not disabled in a timely manner. Lack of formal documentation for review of 'Signon audit reports' (equivalent of security event logs). 	<p>Review and address detailed recommendations as set out in the 2020/21 IT Audit Report.</p> <p>Management response</p> <p>As part of the Oracle Cloud re-implementation programme all roles and responsibilities are being reviewed and confirmed if appropriate to each individual user's specific job and duties. In addition, as part of the Release 2 programme of work the GRC module (Governance, Risks and Controls) will be implemented. This will enforce appropriate controls to ensure the correct privileges, segregation of duties and access controls, , are embedded within the system. In addition the audit function is being implemented on key high risk activities from day 1, with the plan to review the extended use of this functionality where necessary, as part of the GRC implementation. The GRC module provides a much richer audit reporting ability; as part of the implementation we will have a discussion with External Audit to ensure that we implement best practice. Please note that Internal Audit have been involved in all key stages of the Programme and have acted in the capacity of quality assurance. There is a separate project being managed by colleagues in Digital Transformation reviewing the Starters, Movers and Leavers process, we will engage with them to ensure that any weaknesses around deactivating leavers in a timely manner are removed.</p>

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Brent's 2019/20 financial statements, which resulted in 6 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report management is implementing all of our recommendations. We have followed up on the implementation of our recommendations and note that 3 are still in progress for completion.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Ongoing	IFRS 16 implementation has been delayed by one year In our review of the Council's accounting policies we identified that the disclosure in relation to IFRS 16 is appropriate.	IFRS16 is expected to be deferred until 2022/23. The Council will continue to include disclosure on IFRS16 in the accounting policies.
Ongoing	Aged Collection Fund debtors and creditors In our testing of the Council's Collection Fund debtors and creditors we have identified items over 6 years old with little prospect of clearing that should be considered for write off.	An on-going review of the debts and credits on the system relating to the collection fund is being undertaken to write off balances that cannot be cleared. As at the beginning of September 2021 £6.2m of the £6.4m balance outstanding at the year-end has been written back from the credits pre 2014. Work is continuing to resolve all credits older than 6 years.
✓	Creditors – purchase order accruals Our testing of PO accruals identified 4/12 items that should have been cleared or cancelled.	Outstanding 2019-20 PO accruals were written off towards the end of 2020-21, and re-accrued where necessary to ensure that unnecessary accruals were not present at year end.
✓	Unallocated income In total there is £2.8m of unallocated income in the 2019/20 Accounts.	Unallocated income is being closely reviewed. A virtual team has been set up, each member of the team has been assigned to review a specific service's unallocated income. The Council's senior managers are having regular updates to monitor the position of unallocated income to ensure that the majority of unallocated income are identified. Unallocated income in 2020/21 is a trivial balance.
✓	Housing Benefit expenditure The Council is unable to fully reconcile non-HRA expenditure charged to the CIES and the non-HRA expenditure recorded in the Northgate system. Non-HRA expenditure recorded in Northgate is £3.6m higher than that recorded in the general ledger.	The service and IT are aware of the reports that are required to reconcile expenditure recorded in Oracle and Northgate. There is no issue with reconciling Oracle and Northgate for 2020/21.
Ongoing	Oracle security and access controls Control weaknesses were identified in the security and access of the Council's Oracle system.	Oracle Security and Access controls were reviewed and strengthened in r12, and further improvements are planned for cloud as per p32.

Assessment

- ✓ Action completed
- ✗ Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail		Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Council dwellings				
The council dwellings revaluation uplift approach for 2020/21 will be revised follow the approach used in prior years for consistency and correct application.			(£20,000)	
	Council dwellings		£20,000	
	Revaluation reserve			
Annual leave accrual				
Annual leave accrual for 2020/21 was overstated.				
	Employee expenses	(£2,944)		(£2,944)
	Payroll accrual	£2,944		
	Movement in Reserves		£2,944	
	ST accumulated compensated absences reserve		(£2,944)	
Collection Fund debtors and creditors				
Prepayments of £3,109m were incorrectly included as a credit amount in debtors instead of creditors.				
	Collection Fund debtors		£3,109	
	Collection Fund creditors		(£3,109)	
Overall impact		£Nil	£Nil	(£2,944)

C. Audit Adjustments

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	Auditor recommendations	Adjusted?
Capital Expenditure and Capital Financing Note Note 24 has been updated to reflect that the MRP charge is £10.3m not £5m.	MRP charge to be correctly reflected in Note 24. Management response Additional check to take place as part of the accounts preparation process to ensure the accuracy of the information.	✓
Critical judgements The draft financial statements includes a critical judgement on a number of grants for which the Council acts as agent. Given the grants involved are not material this should not be included as a critical judgement.	Critical judgement in relation to grants to be removed. Management response This will be updated for the final accounts.	✓
Estimation uncertainty The draft financial statements includes disclosure of estimation uncertainty in relation to schools' outturn. In 2020/21 the final outturns for all schools were used in the consolidation, so no estimation uncertainty exists.	Estimation uncertainty in relation to schools' outturn to be removed. Management response This will be updated for the final accounts.	✓
Minor formatting issues A number of minor formatting issues to improve the presentation of the Council's financial statements.	Some minor formatting issues on the notes to the accounts were agreed with management. Management response This will be updated for the final accounts.	✓

D. Fees

We confirm below our final fees charged for the audit and provision of audit related services. There were no fees for the provision of non-audit related services. We would also note that PSAA have made a distribution of £30,320 to support 2020/21 fees.

Audit fees	Proposed fee	Indicative Final fee
Council audit	£227,184	£227,184
Pension Fund audit	£33,000	£33,000
Total audit fees (excluding VAT)	£260,184	£260,184

Audit fees for other services	Proposed fee
Audit related services	
Grants:	
• Housing Benefit Subsidy return	£18,000
• Teachers' Pensions return	£5,000
• Pooling of Housing Capital Receipts return	£4,000
Audit of subsidiaries:	
• i4B Holdings Ltd	£31,500
• First Wave Housing Ltd	£29,500
Total non-audit fees (excluding VAT)	£88,000

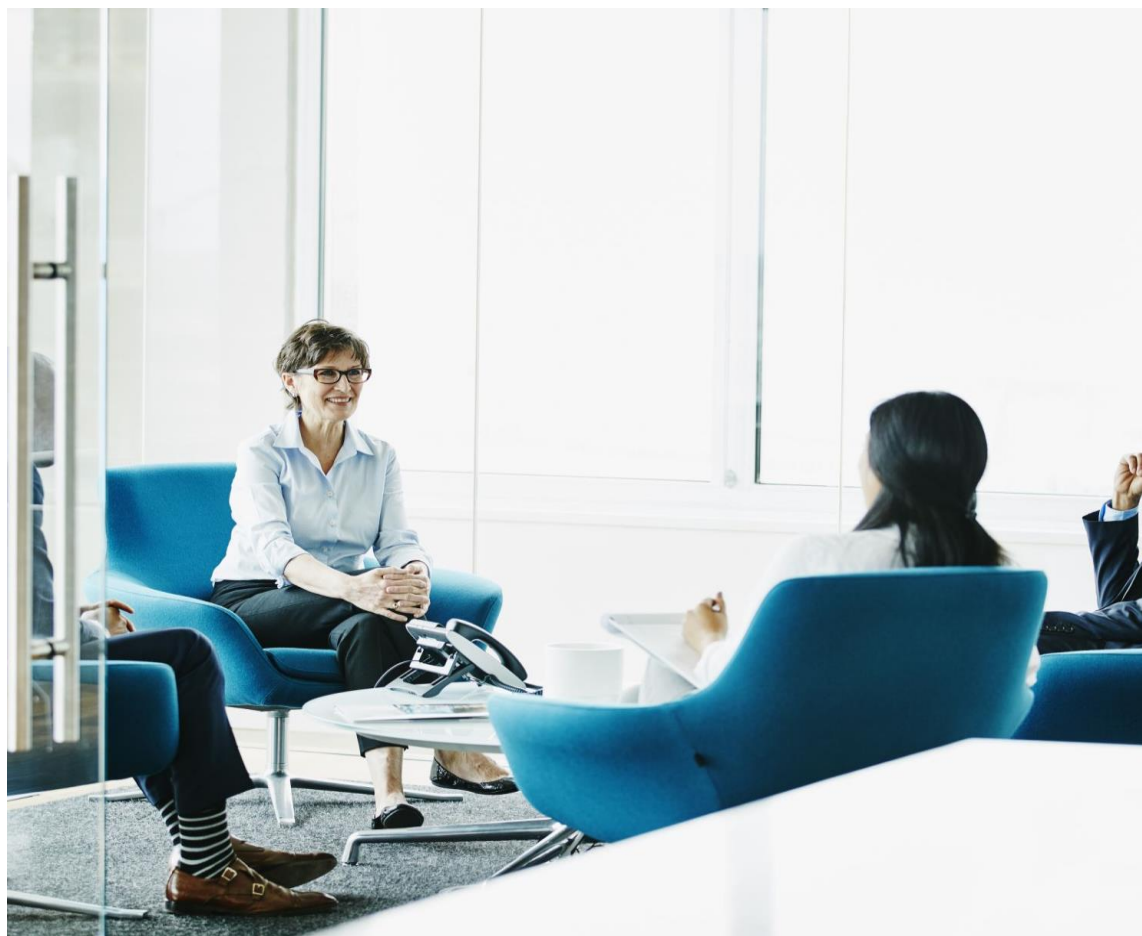
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The Audit Findings for Brent Pension Fund

Year ended 31 March 2021

September 2021

Page 65



Contents



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Section

1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Audit adjustments
- B. Fees
- C. Audit Opinion

Page

- 3
4-13
14

16
17
18-19

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Page 67

Financial Statements	
<p>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:</p> <ul style="list-style-type: none">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; andhave 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.	<p>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], subject to the following outstanding matters;</p> <ul style="list-style-type: none">response to the queries raised in relation to the contributions analytical review;final manager, and partner review of the audit file and resolution of any residual queries arising;receipt of management representation letter; andreview of the final set of financial statements. <p>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.</p> <p>Our anticipated audit report opinion will be unmodified.</p>
<p>Our audit work was completed on remotely during July-September. Our findings are summarised on pages 4 to 12. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position.</p>	

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 22 September 2021, as detailed in Appendix C.

Acknowledgements

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

2. Financial Statements



Our approach to materiality

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

We have revised the performance materiality due to the actual net assets changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table below our determination of materiality for Brent Pension Fund.

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	£10,300,000
Performance materiality	£6,180,000
Trivial matters	£515,000



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>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.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none">- Evaluated the design effectiveness of management controls over journals;- Analysed the journals listing and determined the criteria for selecting high risk unusual journals;- Identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and- Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>Our audit work has not identified any issues in respect of management override of controls.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
<p>Valuation of Level 3 investments</p> <p>You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> - Evaluated management's processes for valuing Level 3 investments; - Reviewed the nature and basis of estimated values and considered the assurance management has over the year-end valuations provided for these types of investments, against the requirements of the Code; - Independently requested year-end confirmations from investment managers and custodian; - Obtained audited financial statements for Capital Dynamics (Private Equity/infrastructure) and Alinda (Infrastructure) as at 31 December 2020 and we have reconciled any cash movements between the intervening period to 31 March 2021. Where the audited financial statements are not available, we have ensured that the impact of this is immaterial; - Compared the audited fund valuation for LCIV (Infrastructure) as at 31 March 2021 with the Fund Manager provided capital statements as of the same period; and - For all three funds, reviewed investment manager service auditor report on design effectiveness of internal controls. <p>Our audit work has not identified any issues in respect of the valuation of Level 3 investments.</p>

2. Financial Statements - Other

Other risks	Commentary
<p>Risk of recognition in Contributions</p> <p>Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.</p>	<p>We have:</p> <ul style="list-style-type: none">- Performed an analytical review to ensure that the contributions recognised in this financial year is in line with expectations. Where this deviates from the expected balance, we have obtained a satisfactory explanation from the Management and gained assurance over completeness.- Tested a sample of starters and leavers to the Pension Fund to gain assurance over the member data balances used in this testing.- Substantially tested a sample of employee and employer contributions for accuracy and occurrence. <p>Based upon our sample testing, our audit work has not identified any issues in respect of pension contributions received.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £81.1m	<p>The Pension Fund has investments in the following:</p> <ul style="list-style-type: none"> - Capital Dynamics (Private Equity and Infrastructure) that in total are valued on the balance sheet as at 31 March 2021 at £46.2m; - Alinda (Infrastructure) that in total are valued on the balance sheet as at 31 March 2021 at £23.1m; and - LCIV (Infrastructure) that in total are valued on the balance sheet as at 31 March 2021 at £11.8m. <p>Management have reviewed the year end valuations provided by the Fund Managers including the audited financial statements dated 31 December 2020. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management have used the cash flows adjusted valuation provided by the custodian, Northern Trust.</p> <p>The value of the investment has decreased by £3.2m in 2020/21, largely due to change in market value during the year.</p>	<p>From the procedures undertaken:</p> <ul style="list-style-type: none"> - We have deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. - We are satisfied that the movements between 31 December 2020 and 31 March 2021 are reconciled to appropriate and known movements in the intervening period. - We are satisfied that the method, data and assumptions used by management to derive the accounting estimate is appropriate. - We are satisfied that the disclosure of the estimate in the Fund's financial statements is sufficient. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. <p>No issues have been identified through our assessment which require reporting to those charged with governance. We are therefore satisfied that the estimate of the valuation of Level 3 investments is materially fairly stated.</p>	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £897.4m	<p>The Pension Fund have investments in Pooled investments and Pooled property investments, which in total are valued on the balance sheet as at 31 March 2021 at £897.4m.</p> <p>The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective.</p> <p>The Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.</p>	<p>From the procedures undertaken:</p> <ul style="list-style-type: none"> - We have reviewed the estimation process for the Level 2 investments and are satisfied that these are in line with industry standards. - We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. <p>No issues have been identified through our assessment which require reporting to those charged with governance. We are therefore satisfied that the estimate of the valuation of Level 2 investments is materially fairly stated.</p>	Light Purple

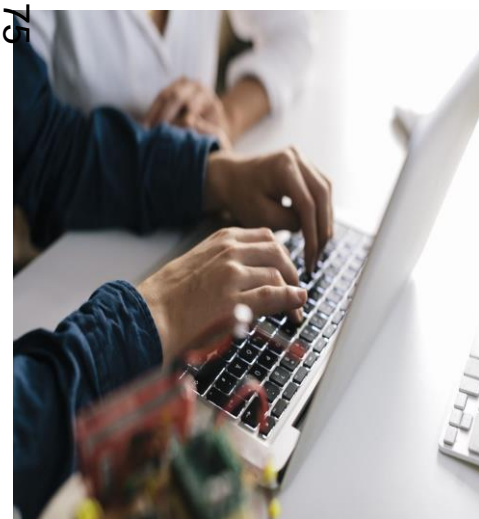
Assessment

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

2. Financial Statements - 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.



2. Financial Statements - other communication requirements



Our responsibility

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

Page 76

Issue	Commentary
Going concern	<p data-bbox="871 464 2056 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2016 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 927" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p data-bbox="871 943 2040 1082">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1098 2029 1241" style="list-style-type: none"> • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1257 2051 1279">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1295 2051 1390" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix C.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report as part of the December 2021 Audit and Standards Advisory Committee.



3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix B.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. 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.

Page 80

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	Auditor recommendations	Adjusted?
Member Data	<p>The member data disclosed in Note 1 b) of the draft accounts was not correct. The Pension Fund had included frozen refunds in this note and as such, should remove this in the final version of the accounts.</p> <p>Management response</p> <p>Management have agreed to make the required amendments.</p>	✓
Other presentational and disclosure issues	<p>The audit team propose that the Pension Fund amend all other minor and presentational issues highlighted in the audit.</p> <p>Management response</p> <p>Management have agreed to make the required amendments.</p>	✓

B. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services. We would also note that PSAA have made a distribution of £3k to support 20/21 fees.

Audit fees	Proposed fee	Expected Final fee
Pension Fund Audit	£33,000	£33,000
Total audit fees (excluding VAT)	£33,000	£33,000

Details of variations in final fees from the proposed fee per the audit plan

The fees reconcile to the financial statements.

C. Audit opinion

Our audit opinion is included below.

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 2021 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 2020/21.

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 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion.

Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 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 the other information, we are required to report that fact. We have nothing to report in this regard.

C. Audit opinion

Opinion on other matter required by the Code of Audit Practice (2020) 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, for the financial year for which the financial statements are prepared is consistent with the Pension Fund 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 in relation to the Pension Fund.

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

As explained more fully in the Statement of Responsibilities [set out on page(s) 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 Director of Finance. The 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the 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 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 for the Pension Fund. 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.

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.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX September 2021



	Audit and Standards Advisory Committee 22 September 2021
	Report from the Chair of i4B Holdings Ltd
Report on i4B Holdings Ltd	

Wards Affected:	All
Key or Non-Key Decision:	N/A
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:	One Appendix 1 i4B Risk Register
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Sadie East Director of Transformation Sadie.East@brent.gov.uk Tel: 020 8937 1507

1.0. Purpose of the Report

- 1.1. This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on i4B Holdings Ltd.'s (i4B, the Company) recent performance, accounts outturn, risk register and audit arrangements.

2.0. Recommendation(s)

- 2.1. The ASAC is asked to note:
- Current i4B performance;
 - The update on the i4B risk register;
 - i4B's accounts outturn for 2021/22; and
 - The update on recent i4B audits.

3.0. Background

- 3.1. i4B Holdings Ltd was established to reduce homelessness, provide affordable, good quality homes, and invest to deliver regeneration and financial benefits for its sole shareholder, Brent Council (the Council).
- 3.2. In November 2016, Cabinet agreed to establish its wholly owned investment company, i4B Holdings Ltd. The Company was set up with the purpose of acquiring, letting, and managing a portfolio of affordable, good quality PRS properties. Properties would be let to homeless families at Local Housing Allowance (LHA) levels. This would enable the Council to either prevent or discharge its homelessness duty and therefore reduce TA costs.
- 3.3. i4B's 2021/22 business plan was agreed by the Shareholder in February 2021. The business plan incorporates the following as i4B's strategic priorities for 2021/22:
- Increasing the supply of affordable housing in the borough;
 - Running a viable business;
 - Delivering safe and sustainable homes; and
 - Providing a consistently good housing service.

4.0. Benefits of i4B

4.1. Social Benefits

- 4.1.1. As of June 2021, 309 Brent families, including 755 children, have been housed in i4B properties, the breakdown for which is below.

Table 1 – Breakdown of families directed to i4B as of June 2021

Previous Accommodation	no. of families	no. of children
Direct to i4B	61	141
Women's Refuge	2	15
TA Stage one – B&B	214	505
TA Stage two – Leased	32	94
Total	309	755

- 4.1.2. All of the Company's private rented homes comply with a good standard of quality and management. Properties are refurbished to a high standard. i4B guarantees households moving into the PRS properties that they will be well maintained, safe, and secure. This compares favourably with market PRS accommodation which is generally of a lower standard and less secure. Also, with i4B as their landlord, tenants are safe from practices such as revenge evictions.

4.2. Financial Benefits

4.2.1. The Council receives financial benefits from i4B, mainly through reducing the use of temporary accommodation and supporting homeless families. The Council saves £1,960 per i4B property purchased and let. However, i4B does incur costs to the Council. At i4B's current portfolio of 333 properties, the net saving to the Council per year is circa £333k. This saving will increase as purchases increase.

4.2.2. The Council has also received the following one off financial benefits:

- PRS phase one loan: loan arrangement fee of £872k and non-utilisation charge of £330k
- PRS phase two loan: loan arrangement fee of £884k and non-utilisation charge of £408k

5.0.	2020-21	Financial	Outturn
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5.1. The company has made an operating loss of £1.071m in 2020/21 which is in line with business plan expectations. This £1.071m relates to i4B's gross turnover of £4.243m minus administrative expenses of £1.615m and finance costs of £3.699m. There has been an uplift of £16.267m in the valuation of the investment portfolio predominantly in relation to the revaluation of the Key Worker block and this gives rise to an overall profit of £15.196m in the accounts

Post Report Audit Changes.

5.2. There are some final changes that need to be made to the accounts following feedback from the Audit. The key worker block will be reclassified as Property Plant and Equipment rather than as an Investment Property. This will move the surplus on revaluation of the key worker block of £17m from the P&L to Other Comprehensive Income. This is a presentational change on the income and expenditure statement and will not affect the cash or net asset position of the company.

5.3. Final taxation figures will be included that will reflect the level of deferred tax due on the increase in value of the properties. The figure for deferred tax is £2m.

Statement of comprehensive income for the year ended 31st March 2021

	<i>Note</i>	2020/21	Restated	Original
		£000	2019/20	2019/20
			£	£000
Turnover	5	4,523	3,556	3,556
Cost of sales	6	(280)	(240)	(240)
Gross profit(loss)		4,243	3,316	3,316
Administrative expenses	7	(1,615)	(1,150)	(1,150)
Surplus on revaluation	10	16,267	(3,162)	(221)
Operating Profit		18,895	(995)	1,946
Interest payable and similar charges	15	(3,699)	(3,144)	(3,144)
Profit on ordinary activities		15,197	(4,139)	(1,198)
Tax on surplus on ordinary activities		0	0	0
Profit (Loss) on ordinary activities after taxation		15,197	(4,139)	(1,198)

- 5.4. The company balance sheet is set out below. The change in the restated 2019/20 balance sheet statement arises from the revaluation of the investment property portfolio. This has written down £9.217m of stamp duty and refurbishment costs in the 2018/19 and 2019/20 financial years. The revaluation was required as the properties should be recorded in the balance sheet at the market value they could realistically be expected to be sold for. The previous valuation overstated the value of properties as it included SDLT costs and refurbishment costs. This is purely an accounting entry that has been agreed with the external auditors.
- 5.5. In 2020/21 shareholder's funds increased by £14.463m when comparing the surplus reported to the last shareholder meeting in the original 2019/20 accounts of £59.254m to the position as at the 31st of March 2021 of £73.717m.

		Original	Restated	Original
Statement of financial position at 31st of March 2021		2020/21	2019/20	2019/20
	Notes	£	£	£
Fixed assets				
Housing properties at cost – affordable rental properties	7	163,376	91,486	100,703
Assets under construction		0	35,012	35,012
Total fixed assets		163,376	126,498	135,715
		0	0	0
Current assets		0	0	0
Debtors	8	837	1,162	1,162
Prepayments	8	0	0	0
Cash at bank and in hand	9	2,187	1,564	1,564
Total current assets		3,024	2,726	2,726
		0	0	0
Creditors: amounts falling due within one year	10	(4,924)	(4,008)	(4,008)
Net current assets		(1,901)	(1,283)	(1,283)
		0	0	0
Total assets less current liabilities		161,475	125,216	134,433
		0	0	0
		0	0	0
Creditors: amounts falling due after more than one year	10	(87,758)	(75,178)	(75,178)
Net assets		73,717	50,037	59,254
		0	0	0
Capital and reserves		0	0	0
Retained earnings	SOCIE	3,128	(12,068)	(2,851)
Equity Soft loan	SOCIE	38,243	32,173	32,173
Equity Shares		32,346	29,932	29,932
Total shareholder's surplus		73,717	50,037	59,254

5.6. A loss of £0.358m is forecast in the 21/22 financial year down from an operating loss of £1.071m in the 20/21 financial year. This is due to economies of scale improving operating efficiency as the company grows its property portfolio.

6.0. Update on Operational Performance

6.1. Tables 1 and 2 give a summary of operational performance at July 2021.

Table 1 – Key Performance Indicators

Indicator	Target	Performance at November 2020	Performance at July 2021
Number of units	360 by April 2021	300	333
Average cost per property	£363,000	£363,392	£363,091
Net yield of whole portfolio	1.22%	1.16%	1.27%
Net yield of purchases in YTD	1.22%	1.88%	1.47%
Instruction to Legal to Purchase	120 days	131 days	135 days
Refurbishment	66 days	68 days	73 days
Letting Brent and Greater London	14 days	60 days	60 days
Rent collection	98.50%	93.96%	90%
Evictions	N/A	7	0

Landlord Gas safety Record	100%	BHM – 95% Mears – 99%	BHM – 98.2% Mears – 100%
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Table 2 – Refurbishment and Lettings

Refurbishment & Lettings	Performance at November 2020	Performance at July 2021
Properties let	281	300
Properties void	16	33
Average rent per property	£316	£331

6.2. *Acquisitions*

6.2.1. In 2020/21, i4B purchased 40 properties. The original business assumption was that i4B would purchase 60 units; this was revised to 36 after Covid. As of i4B's last report to the Committee, the Company had purchased 300 properties. At August 2021, the Company's PRS portfolio had increased to 333 street properties.

6.2.2. The primary reason for the slower rate in purchasing is the surge in demand and ensuing increase in property prices following the extension of the Stamp Duty holiday. To address this, officers have reviewed the i4B acquisitions model, and an increase in the amount that can be spent on properties was agreed at the Company's December 2020 Board meeting. However, the Company is currently not able to purchase at competitive rates in the north of Brent. i4B is looking into further strategies to accelerate purchasing.

6.2.3. Despite the reduced rate of purchases, the Company has continued to purchase higher yielding properties, which has strengthened the Company's future financial position. The average net yield of the portfolio has increased from 1.16% in November 2020 to 1.27% in August 2021. The average net yield of the 15 properties purchased this financial year so far is 1.47%.

6.2.4. i4B currently has six properties progressing through the final internal approval process, and 45 properties in conveyancing.

6.3. *Refurbishment*

6.3.1. Current refurbishment performance is 73 days against a Business Plan target of 66 days.

6.4. *Lettings*

- 6.4.1. 90% of i4B properties are let (301 out of 333). Of the 32 void properties, seven are in refurbishment. Void periods for i4B remain an issue. Void times for i4B properties have increased to 133 days. High void periods for i4B are in part due to difficulties nominating clients to i4B properties. This is due to the increased supply of prevention PRS properties that the Council has available through Capital Letters, meaning families with less restrictions around affordability and mobility are housed through prevention. In addition, the eviction ban has led to a decrease in the amount of homeless families approaching the Council.
- 6.4.2. i4B properties are now being offered to households under the prevention duty as opposed to only those where the Council has accepted the main housing duty. The eviction ban was lifted on 1 June 2021; this should see an increase in homelessness and therefore a reduction in void times. However, in the short term it is likely that void periods will continue to be high. Furthermore, i4B is reviewing its acquisition strategy to review options to increase purchasing in the North of the Borough where LHA rates are lower and more affordable to tenants. More detail on this can be seen in Section 9.0.
- 6.4.3. In addition, the Company has reviewed its strategy for managing its properties in the Home Counties, as these properties do not meet current i4B demand and therefore have long void turnaround times. To mitigate this, when Home Counties properties go void, the Company will look to dispose of them if they cannot be used to meet immediate i4B demand.
- 6.4.4. i4B has housed 309 Brent families, including 755 children. The majority of these families were previously housed in unsuitable stage one temporary accommodation. This is an increase from 280 families and 688 children at September 2020.

6.5. *Rent collection*

- 6.5.1. The rent collection rate for 2020/21 was 91.02%, which is below the target of 98.5% and below the collection rate for the 2019/20 financial year which was 97.12%. The principal reason for this is the impact of Covid-19. Residents whose income has been affected by Covid-19 are being directed to the Resident Support Fund.
- 6.5.2. Year-to-date rent collection is 90%, below target levels. This has been negatively impacted by delays in Housing Benefit and Universal Credit assessments.

6.6. *Gas safety*

- 6.6.1. Gas safety performance in August was 98.2% against a target of 100%. Legal action is ongoing for the three properties without valid LGSRs.

7.0. Risk Update

7.1. The i4B risk register is included in Appendix 1. The main risks the Company currently faces are detailed below:

- Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored, resulting in i4B being non-compliant with its statutory obligations.
- Poor contractor performance and information control results in i4B properties being non-compliant with statutory H&S objectives.
- Company cash flow (capital and revenue) is insufficient to manage expenditure.
- High void rent loss due to long void turnaround times.

7.2. The Company's risk register is reviewed quarterly. Throughout the risk register business plan assumptions, mitigations and actions are updated.

8.0. Update on Key Worker Housing Block

8.1. As agreed in the 2019/20 Business Plan, the Company has purchased a block providing 153 units of 1 and 2 bedroom apartments to be let at 65% of market rate plus service charge to key workers. The Lexington Building was handed over to i4B on 5 February 2021.

8.2. Currently, all properties at the block are either occupied, have sign-up dates booked in, have been offered to an applicant who is in the process of viewing the property, or have been reserved. 15 units have been reserved for Brent Council recruitment, a further 15 for employees of the Brent Community London Healthcare Trust, and all Tier 1 (priority occupations) applications in verification have been provisionally allocated a property where possible.

8.3. i4B's financial model was prepared on the basis that 78 of the 153 units would be let by October 2021. The Company has now met this target.

9.0. Future Options for i4B

9.1. Following the purchase of the key worker block and the ongoing programme of street property purchases, i4B has committed £158m of its loan funding, and is on track to have used up its total loan funding of £230m by the end of the 2023/24 financial year.

9.2. Work is currently being carried out to develop a new purchasing strategy that will match the Council's housing demand to housing supply in the Borough and identify the affordability requirements of a financing package to enable these units to be delivered to address housing need in Brent. As part of this, i4B's Board has agreed a new acquisitions model which increases the amount that i4B can spend on properties. This model replaces the net yield target of 1.2%,

which only measures return in the year of acquisition, with a range of criteria better suited to testing performance and viability over the life of the asset. The criteria are:

- The asset generates a positive cash return within 12 months of acquisition;
- Debt starts to be repaid within 10 years; and
- All debt is repaid within 50 years.

9.3. Over the coming months officers will also work with Council colleagues in Finance, Housing and Property to: review market supply and demand; determine where to best target investment in private rented sector properties, including an analysis of the north of Brent; develop a strategy for assessing potential future new-build schemes; and review the financial viability of the Company.

9.4. This will lead to the development of a strategy to determine the future direction of the Company once all loan funding has been committed, in order to best support the Council's Housing Strategy. This strategy will be developed over the coming months and will form a key part of i4B's 2022-23 Business Plan.

9.5. If i4B were to continue with its current rate of street property acquisitions, funding will have been spent by the end of the 2023/24 financial year. However, if i4B were to enter into a new build scheme then this funding would be exhausted earlier. Thought needs to be given to potential options for i4B's future direction, including whether to agree a new loan with the Council to allow investment to continue, or to wind down purchasing once the remaining loan funding has been committed.

9.6. This work will be carried out over the coming months and will inform i4B's 2022-23 business plan.

10.0. Audit Update: Service Level Agreement Audit

10.1. The purpose of this audit was to review the design and effectiveness of key controls surrounding i4B's commissioning of services from the Council/third parties and management's oversight of this as per the SLA.

10.2. The audit identified four medium-risk and two low-risk issues. These were:

- SLA document (medium-risk);
- Timeliness of invoicing process (medium-risk);
- Performance reporting (medium-risk);
- Value for money assessment (medium-risk);
- Overarching process guidelines (low-risk); and
- Scheme of Delegation (low-risk).

10.3. The recommendations of the audit were presented to the i4B Board in January 2021, and a management action plan was agreed for each area of risk. This is summarised below:

Risk	Audit recommendation	Management action
SLA document	<p>1. The Company should consider having the SLA in the form of a written contract including the following as a minimum:</p> <p>Date and version history; Parties Involved and Lead Officers including defined roles and responsibilities; Overview of the agreement; Performance requirements including an appendix for the services commissioned including pricing; Length of agreement and review date including how this process will be undertaken; Service provision; Performance monitoring and reporting including reporting cycle and mechanism for assigning/determining KPIs for all services; Introduce a risk mechanism whereby each service is risk rated, and KPIs are aligned to services that may be categorised as medium or high-risk. Where KPIs are considered to not be appropriate for specific services the criteria for these should be defined; SLA amendments/Dispute resolution; Operational management of the relationship between all stakeholders including the frequency of meetings and review of performance; and Signed by all relevant stakeholders.</p> <p>2. The SLA should be drafted, reviewed including for grammatical errors and approved by the Head of Transformation and the Board of Directors.</p>	<p>1. When agreeing and drafting the new SLA for 2021/22, i4B will ensure the SLA is in the form of a formal written contract. This contract will include the recommendations detailed.</p> <p>UPDATE: This action is completed.</p> <p>2. The SLA will be agreed by the i4B Board of Directors as well as senior representatives from the Council.</p> <p>UPDATE: This action is completed.</p>
Timeliness of invoicing process	<p>1. A process and timeline for the review and approval of payments should be defined in collaboration with both parties. This may be</p>	<p>i4B will work with the Council to develop a clear process timeline for reviewing and approving invoices. i4B will look to introduce monthly invoicing.</p>

	<p>included in the SLA.</p> <p>2. Relevant roles and responsibilities in the process should also be defined.</p>	<p>UPDATE: This action is ongoing. The due date is Q2 2021/22</p>
Performance reporting	<p>1. Company officers should review or conduct spot checks in order to verify and sign off the source data and monthly performance reports prior to being presented to Board. This process should be documented with appropriate segregation of duties.</p> <p>2. The review and sign off process should be performed in collaboration with the Service Area Leads to ensure any discrepancies are addressed promptly for the timely reporting of the KPIs. Where delays occur, these should be documented and discussed in the SLA meetings with the Council's housing management and conveyancing teams.</p>	<p>1. i4B will ask service providers to document the internal controls around the performance information they produce and agree a programme of internal audit checks of data with the service providers</p> <p>UPDATE: This action is ongoing. The due date is Q3 2021/22</p> <p>2. i4B officers will request that service area leads send KPI reporting to i4B officers for review prior to Board meetings.</p> <p>UPDATE: This action is completed.</p>
Value for money assessment	<p>1. The Company should perform a benchmarking exercise to determine its financial position and performance in comparison to similar entities.</p> <p>2. External providers should undergo a procurement process with services provided and associated pricing and cost prices clearly outlined.</p> <p>3. Management should periodically review external providers to ensure an appropriate procurement process has been conducted and where discrepancies are found this should be investigated. This review process should be documented.</p>	<p>1. i4B will perform an annual benchmarking exercise against Regulator of Social Housing Value for Money metrics.</p> <p>UPDATE: This action is completed.</p> <p>2. A procurement exercise was recently carried out for housing management services for properties in the Home Counties.</p>

Overarching process guidelines	<p>1. The Company should produce an overarching guidance document outlining the key end-to-end processes and guidelines for processing various types of services commissioned including designated responsibilities for processes.</p> <p>2. This document should be aligned with an agreed SLA and reviewed periodically to reflect change in operations and practices.</p>	<p>An overarching guidance document on SLA processes will be produced. This will be reviewed on an annual basis alongside the SLA.</p> <p>UPDATE: This action is ongoing. The due date is Q3 2021/22</p>
Scheme of Delegation	<p>1. The Scheme of Delegation should be updated, reviewed and approved and include job titles, rather than names of individuals.</p> <p>2. It should include a review period and responsibility for conducting this review</p>	<p>In 2021/22 the Scheme of Delegation will be reviewed. It will then be reviewed on an annual basis.</p> <p>UPDATE: This action is ongoing. The due date is Q3 2021/22</p>

Ref	Strategic	Risk	Business Plan Objective	Trigger	Likelihood	Impact	Score	Mitigation	Owner	SLA Lead	Actions	Due Date	July Action Update
1	4B does not meet H&S requirements	Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored, resulting in 4B being non-compliant with its statutory obligations.	Safe and Sustainable Homes	Inadequate controls on record creation	4	5	20	Review asset records and the controls around creation and update. Produce a regular compliance report to Board covering all compliance requirements.	Head of Property Services	Strategic Support Officer	Gas safety process to be reviewed; date to be agreed	Sep-21	Monthly gas safety reconciliations being performed. Review and agree date at SLA meeting
2	4B does not meet H&S requirements	Poor contractor performance and information control results in 4B properties being non-compliant with statutory H&S objectives	Safe and Sustainable Homes	Lack of KPIs and monitoring processes	3	5	15	Set up effective monitoring processes on compliance.	Head of Property Services	Strategic Support Officer	Regular compliance reporting to come to Board	Aug-21	First report to come to September Board for Board feedback
3	4B does not meet H&S requirements	There is no affordable or technical solution for 4B to meet enhanced building standards.	Safe and Sustainable Homes	Changing legal obligations	2	4	8	Ensure accurate compliance reports and understand areas of non-compliance and solutions for resolving them.	Head of Property Services	Strategic Support Officer	Regular compliance reporting to come to Board	Aug-21	First report to come to September Board for Board feedback
4	4B does not meet H&S requirements	4B lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.	Safe and Sustainable Homes	Lack of reliable monitoring reports to Board	2	4	8	Review policies, controls and reporting arrangements.	Head of Property Services	Strategic Support Officer	Establish list of required policies, identify gaps and agree review schedule.	Aug-21	List of required policies and gap analysis have been developed. Review work is ongoing with BHM
5	4B cannot trade as a going concern	Changing Government policy on rents/benefits means 4B cannot increase rents at business plan assumptions.	Running a Viable Business	Change in Government policy	3	3	9	Regular modelling and business plan reviews.	Senior Finance Analyst		Re-test business plan once final account outturn is agreed.	Sep-21	On track
6	4B cannot trade as a going concern	Reductions and changes in market demand mean 4B cannot increase rents at business plan assumptions.	Running a Viable Business	Change in market demand	3	3	9	Regular modelling and business plan reviews.	Senior Finance Analyst		Stress test model as part of business plan.	Dec-21	On track
7	4B cannot trade as a going concern	Tenant non-payment of rent increases due to unaffordability of rent.	Running a Viable Business	Change in market demand	3	3	9	Regular modelling and business plan reviews, and effective recovery processes.	Income and Sustainment Manager	Strategy and Delivery Manager	Re-test business plan once final account outturn is agreed.	Sep-21	On track
8	4B cannot trade as a going concern	High void rent loss due to long void turnaround times.	Running a Viable Business	Poor void management processes and reporting	4	3	12	Improved void management processes and reporting.	Voids Manager	Strategic Support Officer	Benchmark on rent collection rates.	Jul-21	Action overdue - to be completed for September Board alongside wider benchmarking exercise
9	4B cannot trade as a going concern	High Capital Programme costs undermine the viability of the business plan.	Running a Viable Business	Poor stock condition and high compliance costs	1	5	5	Development of a costed asset management plan with viable options.	Head of Property Services	Strategy and Delivery Manager	Review impacts of voids team restructure	Nov-21	New action
10	4B cannot trade as a going concern	A lack of transparency around costs means 4B cannot effectively report on its costs.	Running a Viable Business	Poor financial billing	2	4	8	Improved financial billing processes.	Senior Finance Analyst		Develop a procurement timetable. Procure appropriate support to cost asset management plan.	Feb-22	Meeting to be held
11	4B cannot trade as a going concern	Company cash flow (capital and revenue) is insufficient to manage expenditure.	Running a Viable Business	The Company does not acquire properties quickly enough to generate a surplus	3	5	15	Guarantee from Council. Property acquisitions programme to turn the organisation into a profit-making one.	Strategy and Delivery Manager		Set up full independent company finances as part of Oracle Cloud to allow direct payments.	Dec-21	On track
12	4B cannot trade as a going concern	Delays in processing utilities and other payments result in poor financial reporting, complaints and financial & reputational damage.	Running a Viable Business	The Company fails to set up suppliers and make payments in a timely manner	5	3	15	Improved financial billing processes.	Senior Finance Analyst		Review the business plan on an annual basis.	Dec-21	On track
13	4B cannot increase affordable housing supply	There is an insufficient volume of properties on the market that meet 4B's financial criteria.	Increasing Supply of Affordable Housing	Change in market conditions	3	3	9	Regular review of market and financial viability model.	Strategy and Delivery Manager		Set up full independent company finances as part of Oracle Cloud to allow direct payments.	Dec-21	On track
14	4B cannot increase affordable housing supply	There is an insufficient amount of development opportunities that meet 4B's development criteria.	Increasing Supply of Affordable Housing	Change in market conditions	3	3	9	Regular review of market and financial viability model.	Strategy and Delivery Manager		Carry out a strategic review of property demand and supply in the borough which will result in a property acquisition strategy.	Aug-21	Strategic review has been completed, and further work to develop the strategy is underway, with a workshop to be held in August. Deadline moved from June 2021
15	4B cannot increase affordable housing supply	A lack of affordable financing options means 4B cannot fund acquisitions.	Increasing Supply of Affordable Housing	Change in market interest rates	1	3	3	Monitoring of market rates and agreeing financing options with the Council.	Senior Finance Analyst		Carry out a strategic review of property demand and supply in the borough which will result in a property acquisition strategy.	Sep-21	Strategic review has been completed, and further work to develop the strategy is underway, with a workshop to be held in September.
16	Financial and reputational damage	Fraud results in a loss of income and/or reputational damage to the company and the Council.	Running a Viable Business	Poor internal controls, or lack of compliance with these	2	3	6	Annual review of internal controls.	Strategic Support Officer		Interest rates are monitored on a regular basis. Discussions to take place with the Council in conjunction with property strategy work about future financing.	Dec-21	On track
17	Financial and reputational damage	4B is deemed to have failed a statutory requirement in its corporate role following developments in the regulatory environment such as the Hackitt Review.	Running a Viable Business	Policies and procedures fail to meet regulatory requirements or are not complied with	2	3	6	Annual review of regulatory requirements and compliance with these.	Strategic Support Officer		Carry out review of internal controls with SLA partners and agree resulting set of actions. Internal controls review to be presented to a future Board meeting.	Oct-21	Previous action to 'get internal controls declaration from SLA partners'. Action updated to reflect need for internal controls review to be carried out with SLA partners before declarations are made. Deadline moved from March 2021
18	Drop in customer satisfaction and damage to reputation	Contractor performance is not effectively managed and monitored, leading to poor customer service.	Providing an Excellent Housing Service	The supply chain is not effectively managed	2	3	6	Clear service standards, regular performance management and engagement with supply chain.	Strategy and Delivery Manager		Implement actions from compliance project plan presented at June Board meeting	Feb-22	Action to 'review regulatory requirements and compliance with these' completed, with value for money review applying to both 4B and FWH. New action added
19	Drop in customer satisfaction and damage to reputation	Poor service delivery results and complaints management procedures give rise to low tenant satisfaction.	Providing an Excellent Housing Service	A lack of clear service standards and complaints management procedures means complaints are not effectively dealt with	2	3	6	Clear service standards and monitoring of complaints performance.	Strategic Support Officer		Monthly SLA monitoring meetings reinstated.	May-21	Action completed with meetings ongoing.
											Draft an updated complaints policy.	May-21	Action outstanding. Review of complaints policy scheduled for July 2021; this will be completed for September Board

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The Audit Findings for i4B Holdings Limited

Year ended 31 March 2021

15 September 2021

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15/09/2021

To the Board of Directors

Audit Findings for i4B Holdings Limited for the year ended 31 March 2021

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

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

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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at www.grantthornton.co.uk/about-us/transparency-report/.

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

Joanne Love

Partner
For Grant Thornton UK LLP**Chartered Accountants**

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Contents

Section	Page
1. Status of the audit and opinion	4
2. Observations in respect of significant risks	5
3. Observations in respect of other risks	8
4. Other communication requirements	10
5. Internal controls	11
6. Internal controls – review of issues raised in prior year	12
7. Adjusted misstatements – prior period adjustment	13
8. Independence, ethics, and fees	14
9. Communication of audit matters with those charged with governance	15

Page 101

Status of the audit and opinion

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Page 102

Minor sample items or queries from fieldwork.
Final tax specialist review of deferred and current taxation balances and charge.
Final review of updated financial statements.
Final review of the equity capital contribution relating to loan finance.
Completion of final internal quality control reviews.
Receipt of legal confirmation from internal legal team.

All conclusions in this report are subject to final internal quality control reviews, which may result in additional queries or requests.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Our anticipated audit report opinion will be unmodified

Observations in respect of significant risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

- Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue

Our procedures included but were not limited to:

- Review and testing of revenue recognition policies;
- Performing a walkthrough to confirm our understanding of the processes and controls through which the business initiates, records, processes and reports revenue transactions;
- Performing substantive analytical review based on prior year revenue and reflecting changes in property numbers and annual rent increases; and
- Agreeing a sample of the rental income to the supporting rent agreements.

We did not identify any misstatements and control deficiencies in relation to revenue recognition.

2

Management override of controls

- Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities

The work performed by the auditor consisted of:

- Reviewing accounting estimates, judgements and decisions made by management. We have tested the valuation of properties as a significant risk – see page 6; and
- Testing journal entries using audit data analytics to identify potentially unusual transactions. The data analytics performed a series of automated tests, looking for characteristics which may potentially indicate increased risk, for example material profit impact, blank descriptions, or infrequent postings.

We found no misstatements or control points relating to journals testing.

Observations in respect of significant risks (continued)

3

Risks identified in our Audit Plan

Valuation of investment properties

Significant judgement is required in the valuation of investment properties, there is therefore a risk of material misstatement in the financial statements.

During planning, it has also been brought to our attention that the finance team identified the prior year valuations made adjustments to the market value of the properties, resulting in the carrying values in the accounts not being equal to the fair value required under FRS 102. As a result of this, procedures will be performed on the opening balances of investment properties as well as the current year valuations.

Commentary

Valuation of property portfolio:

Our work consisted of:

- Obtaining copies of the valuations prepared by management's expert (Wilks Head Eve) and agreeing to the financial statements;
- Using an internal expert employed by Grant Thornton to assess the assumptions, inputs and methods used by management's expert;
- Considering the credentials and independence of the valuers;
- Testing a sample of additions to Land Registry documentation, or to the sale and purchase agreements where final documents are not yet filed at the Land Registry; and
- Discussing with the valuers their key assumptions and documenting the challenge and corroborating evidence.

A prior period error was identified by management during planning and this has been adjusted in the financial statements. We have not identified any additional misstatements in relation to investment property valuation.

Prior period error:

It was noted from discussions with management during planning that the valuations prepared by Wilks Head Eve historically and used within the financial statements included adjustments which are not appropriate under FRS 102. The valuations are done on a comparable basis to identify the market value assuming vacant possession at year-end, based on the sales price of similar properties in close proximity to i4B's assets. This is an appropriate basis and in line with the expectations of our internal, RICS qualified, real estate experts. However, an adjustment has historically been made to add certain transaction costs such as stamp duty on top of this value. This is inappropriate. In the year of acquisition, these costs may be capitalised, but when the property is revalued to its fair value, there should not be an adjustment to add these additional costs to the determined fair value.

Management have adjusted for this error, resulting in a £9.2m reduction in the value of properties in the balance sheet at 31 March 2020. Of this adjustment, £6.3m relates to the opening position at 1 April 2019, and £2.9m has been adjusted through the statement of profit and loss to increase the loss on revaluation of investment properties.

We have not identified any additional misstatements in relation to investment property valuation.

Page 104

Observations in respect of significant risks (continued)

3

Risks identified in our Audit Plan

Valuation of investment properties

Commentary

Quintain Block:

The Quintain block is a block of 153 flats which will be let at below market rate to key workers within the London Borough of Brent. The rents charged on this block are capped at 65% of market rent. As a result, they have been valued on an Existing Use basis, including the capped rents as Wilks Head Eve (management's experts) consider this to be reflective of current market value. The block is valued at £54.9m at 31 March 2021.

Under FRS 102, property held primarily for the provision of social benefits, e.g. social housing held by a public benefit entity, shall not be classified as investment property and shall be accounted for as property, plant and equipment (PPE).

i4B Holdings is a Public Benefit Entity, and therefore there is a significant judgement as to whether this block should be held as PPE or as investment property. This will result in an annual depreciation charge, as well as the revaluation gains being recorded through other comprehensive income as opposed to the profit and loss account.

Management have prepared an accounting paper and determined that the Quintain Block should be accounted for as PPE. The gain on the revaluation of the asset is therefore through other comprehensive income, and depreciation will be charged going forward (note the asset only became operational in March 2021 and therefore there is no charge in the current year).

We concur with management's assessment and consider in respect of the classification of the Quintain Block.

Observations in respect of other risks

Risks identified in our Audit Plan		Commentary
Page 106	1 Investment property existence There is a potential risk that investment properties do not exist or are not owned by the entity at year-end.	<p>Our work consisted of:</p> <ul style="list-style-type: none">• Agreeing a sample of properties to land registry documentation to confirm the property was owned by the Company and for additions in the year that the purchase price recognised was accurate;• Agreeing a sample of capitalised amounts to supporting documentation; and• Agreeing that the amounts capitalised were in line with relevant accounting standards. <p>We did not identify any issues in relation to the existence of properties.</p>
	Administrative expenses and corresponding liabilities There is a potential risk that expenditure is incorrectly recognised.	<p>Our work consisted of:</p> <ul style="list-style-type: none">• Gaining an understanding of the processes and controls applicable to the recognition of expenditure;• Agreeing a sample of items to supporting documentation, including quarterly invoices from the London Borough of Brent, and the underlying SLA; and• Obtaining a confirmation of the closing balance <p>We did not identify any issues in relation to this risk.</p>
	3 Debt There is the potential risk that debt and interest balances are not complete at year-end.	<p>Our work consisted of:</p> <ul style="list-style-type: none">• Confirming the closing loan position with the London Borough of Brent; and• Recalculating the expected interest expense based on the underlying loan agreement. <p><i>[We are finalising our review of the accounting treatment for the capital contribution element of the loan financing. We have confirmed the balance with the London Borough of Brent, but there is an obligation to repay this amount and therefore the classification as equity is being examined.]</i></p>

Observations in respect of other risks (continued)

Going concern commentary

Management's assessment process

Management have produced a detailed business plan and budget, which included a 5 year financial forecast.

They have used this to model their expected cashflows and profit for the going concern period (12 months from the expected date of signing).

COVID-19 resulted in increasing uncertainty in the economy and management are monitoring any impact on the rents received each month.

Auditor commentary

Our work has consisted of:

- Reviewing management's forecasts and budgets and comparing to the audited results for the current year;
- Reviewing the impact of COVID-19 on the rental income collected during the current year and any impact on the forecast period to date;
- Reviewing the sensitivities produced by management and considering their adequacy; and
- Testing the mathematical accuracy of the forecasts.

We have noted that the Company is reliant on the continued funding and support of the London Borough of Brent (for example the SLA and debt agreement). We have therefore requested that management obtain a letter of support from the London Borough of Brent, which we have obtained and reviewed.

[Our work in this area will not be concluded until the letter of support is provided.]

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">We are not aware of any significant incidences of non-compliance with laws and regulations.
4	Written representations	<ul style="list-style-type: none">We will request a letter of representation from the Board to be signed on the date of signing. Specific representations will include:<ul style="list-style-type: none">The prior period adjustment is based on the facts and information available at 31 March 2020 and represents management's most accurate reflection of property values at that date.The classification of the Quintain Block is in line with management's most accurate assessment of the nature of the block and purpose it is held for.Management have reviewed the basis on which Wilks Head Eve have valued the property portfolio and consider the approach, the comparable properties used by Wilks Head Eve, and the signed report provided are an appropriate estimate of fair value of the property portfolio.
5	Confirmation requests from third parties	<ul style="list-style-type: none"><i>We are awaiting confirmation of bank balances from RBS.</i><i>We will require a copy of the letter of support provided by the London Borough of Brent to the Directors of the Company.</i>
6	Disclosures	<ul style="list-style-type: none">We have provided feedback on the draft financial statements and are awaiting updated accounts.

Page 108

Internal controls

1



Assessment

Issue and risk

Accounting policies and judgements

There are certain judgements within the financial statements which have a material financial impact on the results of the Company. Within i4B, the valuation of investment properties is one of the most material assumptions in the financial statements. We note the prior period restatement is due to adjustments to the market value historically agreed with Wilks Head Eve, but which are not compliant with FRS 102. Similarly, the Quintain Block is valued on an existing use for social housing basis due to the below market rent which the units must be let at. This leads to a significant judgement as to whether the block is investment property or property, plant, and equipment. These material estimates, judgements, and assumptions should be formerly documented by management in an accounting paper and reviewed internally by senior finance staff,

Similarly, it was noted in the prior year that there were multiple iterations of the financial statements due to errors or inconsistencies. There is a risk that financial statements will have material errors including omissions if internal review processes are not completed.

Recommendations

We recommend that all material judgements, estimates, and accounting policies are discussed internally, formally documented, and reviewed by senior finance staff before being implemented.

We also recommend that financial statements go through internal review by senior finance staff before being provided to the Board and audit team, to ensure the process is as efficient as possible.

Management response

Key judgements are subject to internal review prior to accounts being submitted for audit. An internal review highlighted that fixed asset accounting had not been implemented in line with the accounting policy of i4B and this was communicated to GT at the planning stage of the audit. It is anticipated that where new or unusual transactions take place there is a greater risk of error in accounting judgements and that is where management seek to engage with their auditors early in the accounts process to test approaches and arrive at the correct accounting approach.

Financial statements - Accounts have been reviewed in the 20-21 accounts process prior to submission to GT. The review focusses on material items and it is not practical or efficient to review all cross casting or presentational matters until the preparation of the final version of the accounts

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

Assessment

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

Internal controls – review of issues raised in prior year

1	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	X	Unbalance journal entries We noted that I4B is held as a cost centre within the London Borough of Brent's finance system, rather than a separate entity. As a result, certain transactions are posted with one side in I4B's results, and the other within a different part of the wider Brent finance system. This results in unbalanced journal entries within the I4B ledger. Management prepared a summary of all such entries and the reversing entries, which we have audited to gain sufficient, appropriate audit evidence regarding the journal entry process. However, there is a risk that costs could be incorrectly allocated to I4B, or unbalanced entries could result in errors or allow the intentional manipulation of results.	This issue has not yet been addressed and we maintain our recommendation that i4B should have its own entity level general ledger to avoid the potential risk of error or manipulation through unbalanced entries and their corrections.

Page 110

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements – prior period adjustment

Journal reference	Detail	Profit and loss account		Balance sheet		Profit effect (2020 Profit)
		Debit	Credit	Debit	Credit	
PPA 1	Retained earnings at 1 April 2019			6,276,000		
	Gain or loss on revaluation of investment properties	2,941,000				(2,941,000)
	Investment properties				9,217,000	
	<i>Being reduction in value of investment properties to remove inappropriate inclusion of costs on top of the market value.</i>					

Independence, ethics, and fees

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.

Fees

The table below sets out the total fees for audit services for the current financial year. There are no non-audit services provided to the Company.

Company	£
Audit of i4B Holdings Limited	31,500

The fees disclosed in the financial statements should be updated to the current year audit fees (net of VAT). Currently they are stated as £38k.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to i4B Holdings Limited. The table summarises all non-audit services which were identified. In addition, we have identified services performed in respect of group entities including the London Borough of Brent and First Wave Housing Limited. The fees to these entities are communicated within the Audit Findings Reports of the relevant entity.

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

This document is prepared solely for i4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to **ensure** our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

This document is prepared solely for i4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.



**Audit and Standards Advisory
Committee**
22 September 2021

**Report from the Chair of First Wave
Housing Limited**

Report on First Wave Housing Limited

Wards Affected:	All
Key or Non-Key Decision:	N/A
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:	One Appendix 1 FWH Risk Register
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Sadie East Head of Transformation Sadie.East@brent.gov.uk Tel: 020 8937 1507

1.0. Purpose of the Report

- 1.1. This report provides the Audit and Standards Advisory Committee with an update on First Wave Housing Limited's (FWH) recent performance, accounts outturn, risk register and audit arrangements.

2.0. Recommendation(s)

- 2.1. The ASAC is asked to note:

- Current FWH performance;
- The update on the FWH risk register;
- FWH's financial outturn for 2020/21; and
- The update on recent FWH audits.

3.0. Performance Update

- 3.1. FWH has 326 tenanted properties: 89 at social rent, 25 at intermediate rent, and 45 at PRS/market rent, as well as 167 Settled Homes. Settled Homes are a form of temporary accommodation. They are let on assured short hold

tenancies, with rent levels slightly below LHA rates. When business plan surpluses are sufficient, properties will be converted on an incremental basis to social rents, on assured tenancies.

- 3.2. FWH's primary purpose is to provide good quality, affordable, secure, and well managed homes to Brent residents and contribute to Brent's Housing Strategy. It does this by managing, maintaining and improving its stock of 326 properties.
- 3.3. The annual rent roll is £4.3 million. There are also two commercial properties within the portfolio. FWH has not purchased any new properties; therefore, performance is only based on housing management.

Table 1 – FWH Stock Breakdown

Product Type	No. Properties	Average Weekly Rent	Sum of Weekly Rent
General Needs	89	£119	£10,584
1 bed	24	£106	£2,541
2 bed	32	£116	£3,718
3 bed	23	£130	£2,985
4 bed	10	£134	£1,340
Intermediate Rent	25	£322	£8,058
1 bed	12	£304	£3,646
2 bed	13	£339	£4,412
Market Rented	45	£302	£13,606
1 bed	45	£302	£13,606
Settled Housing	167	£302	£50,453
1 bed	10	£275	£2,748
2 bed	135	£303	£40,856
3 bed	22	£311	£6,849
Grand Total	326	£254	£82,701

- 3.4. Table 2 below gives a summary of operational performance at July 2021.

Table 2 – Key Performance Indicators

Indicator	Target	Performance at November 2020	Performance at July 2021
Rent collection	98.50%	95.43%	99.41%
Minor voids	35 days	54.9 days	103 days
Major voids	72 days	107.8 days	215 days
Urgent and routine repairs	85%	85%	85%
Emergency repairs	100%	98%	100%
Landlord gas safety record	100%	100%	99%

- 3.5. *Rent Collection*

3.5.1. Year-to-date rent collection is 99.41%, above the target of 98.5%. At the time of the last report to ASAC in November 2020, rent collection had been negatively impacted by Covid-19. Collection rates improved throughout the remainder of 2020-21 for a FY total collection rate of 101.43%. One reason for this was the Resident Support Fund established by Brent to help those who were financially impacted by the pandemic, through which £10,941 was allocated to FWH tenants.

3.6. *Lettings*

3.6.1. Long void times remain an issue for FWH. Targets are 35 days for minor voids and 72 days for major voids. In 2020/21, minor Settled Homes voids were re-let in 73 days, against a target of 35 days. Major Settled Homes voids have been let in 116 days. The target is 72 days. There are currently 13 void properties.

3.6.2. Year-to-date void performance across all tenures is as follows:

- Minor Voids – 103 days
- Major Voids – 215 days

3.6.3. BHM have put in place a performance plan to address void performance. BHM have reassured the Board that plans are in place to improve the timeliness of voids.

3.7. *Repairs*

3.7.1. Year-to-date performance for emergency repairs is 100% which is on target.

3.7.2. Year-to-date performance for routine repairs is 91%, this is slightly below the target of 95%

3.8. *Gas Safety*

3.8.1. Gas safety performance is 99% against a target of 100%, with 318 of 320 properties having a valid LGSR. Legal action is ongoing for properties going without valid LGSRs.

3.9. *Tenancy Verification Visits*

3.9.1. Tenancy verification visits were suspended from April 2020 due to restrictions relating to Covid-19, and began again on 17 May 2021.

4.0. **Fire Safety and Stock Condition**

4.1. In its last report to the Audit Standards and Advisory Committee, FWH noted that external fabric combustibility and water penetration issues were a potential concern on eight of FWH's blocks in South Kilburn.

- 4.2. A London Fire Brigade enforcement notice was issued on FWH, and a waking-watch system was put in place until a communal fire alarm system could be installed. Wates are now in the process of installing the communal fire alarm system, which will be completed for August. The waking-watch service will be phased out once the alarm system has been installed.
- 4.3. Since the last report to the Committee, Ridge Consultants have been appointed to carry out an intrusive investigation into the water penetration, cladding and window issues at the blocks. Their report estimates the scope, costs and timelines of the necessary structural and fire safety remedial work. Ridge have recommended remediation works to address the issues at the blocks.
- 4.4. The estimated total cost of remediation works is circa £18.5m. This has resulted in FWH having to revalue the effected blocks from £12.457m down to nil in the FWH accounts. This is outlined in section 5.0.
- 4.5. FWH is making operational surpluses but these are insufficient to cover the £18.5m cost of the works required.
- 4.6. FWH has, in conjunction with the Council as Guarantor, undertaken an options analysis on how remediation works can be carried out and funded. The recommended option is that the distressed blocks will be disposed of to the Housing Revenue Account (HRA). This is the Council's preferred option. The option has been agreed with the Guarantor and Lead Member. The details of the transaction are currently being worked through, particularly with regard to FWH's 25 intermediate rented properties at the blocks.
- 4.7. The report will go through the Cabinet approval process and is due to go to the October 2021 Cabinet. The report at the October Cabinet will request authority to go out to consult with tenants on the potential disposal.

5.0. 2020-21 Financial Outturn

- 5.1. The financial outturn position is set out in the table below. Rental income exceeded running costs and loan interest by £0.8m. However, the company will need to incur £18.5m of costs if it retains the Granville blocks. No provision has been made in the accounts for these sums. The assets have been revalued at nil from £12.457m to reflect this obligation in part. After allowing for the revaluation and minor surpluses arising from asset revaluation and disposal, FWH incurred a deficit of £11.5m for the year.
- 5.2. The company income and expenditure position is set out in the table below:

Statement of comprehensive income for the year ended 31 March 2021

	Note	2020/21	2019/20
		£'000	£'000
Turnover	5	4,184	4,317
Operating costs	6,7,8	(2,305)	(2,503)
Revaluation loss on housing assets		(12,457)	0
Surplus on asset disposal	7	171	0
Surplus on revaluation of investment properties	11	192	30
Surplus on revaluation of commercial properties	11	1	1
Operating (loss) surplus	7	(10,214)	1,845
Interest payable and similar charges	15	(1,105)	(2,036)
Loss on ordinary activities before taxation		(11,319)	(191)
Tax on surplus on ordinary activities	9	(175)	(72)
Loss on ordinary activities after taxation		(11,494)	(264)
Loss for the financial year	<i>SOCIE</i>	(11,494)	(264)
Unrealised gain / (loss) on revaluation of social housing properties	<i>SOCIE</i>	1,499	1,640
Total comprehensive income for the year		(9,995)	1,376

5.3. The company assets and liabilities are set out below.

Statement of financial position as at 31 March 2021

	Notes	2020/21	2019/20
		£'000	£'000
Fixed assets			
Housing properties at valuation - investment properties	11	12,330	12,138
Housing properties at valuation - social housing properties	11	37,423	49,761
Social housing properties - furniture, fixtures & fittings	11	38	51
Commercial properties	11	274	273
Total fixed assets		50,065	62,223
Current assets			
Debtors	12	2,036	1,780
Cash at bank and in hand	13	2,500	1,119
Total current assets		4,536	2,899

Creditors: amounts falling due within one year	14	(1,869)	(1,549)
Net current assets		2,667	1,350
Total assets less current liabilities		52,732	63,573
Provision for deferred tax	15	(933)	(902)
Creditors: amounts falling due after more than one year	15	(35,106)	(35,982)
Net liability		(36,039)	(36,884)
Net assets		16,693	26,689
Capital and reserves			
Revaluation reserve	SOCIE	16,924	15,531
Revenue reserve	SOCIE	(231)	11,158
Total Capital and Reserves		16,693	26,689

5.4. The significant change in the balance sheet is the impact of the downward revaluation of the Granville blocks by £12.457m. The overall net shareholder value reduces from £26.7m to £16.7m as a result.

5.5. The impact of the revaluation in these accounts is an accounting one. However, when the works are carried out and expenditure is incurred this will be a real cash cost. The FWH Board is reviewing the implications of these works, and work is being carried out on refinancing proposals which would spread the cost of these works over the 60-year estimated life of the asset.

6.0. Risk Update

6.1. The FWH risk register is included in Appendix 1. The main risks the Company faces are:

- Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored resulting in FWH being non-compliant with its statutory obligations.
- Poor contractor performance and information control results in FWH properties being non-compliant with statutory H&S objectives.
- High Capital Programme costs undermine the viability of the business plan.
- The costs of remediation to the South Kilburn blocks threaten the financial viability of FWH.

7.0. Audit Update: Service Level Agreement Audit

7.1. The purpose of this audit was to review the design and effectiveness of key controls surrounding FWH's commissioning of services from the Council/third parties and management's oversight of this as per the SLA.

7.2. The audit identified three medium-risk and two low-risk issues. These were:

- SLA document (medium-risk);
- Timeliness of invoicing process (medium-risk);
- Performance reporting (medium-risk);
- Overarching process guidelines (low-risk); and
- Scheme of Delegation (low-risk).

7.3. The recommendations of the audit were presented to the FWH Board in January 2021, and a management action plan was agreed for each area of risk. This is summarised below:

Risk	Audit recommendation	Management action
SLA document	<p>1. The Company should consider having the SLA in the form of a written contract including the following as a minimum:</p> <p>Date and version history; Parties Involved and Lead Officers including defined roles and responsibilities; Overview of the agreement; Performance requirements including an appendix for the services commissioned including pricing; Length of agreement and review date including how this process will be undertaken; Service provision; Performance monitoring and reporting including reporting cycle and mechanism for assigning/determining KPIs for all services; Introduce a risk mechanism whereby each service is risk rated, and KPIs are aligned to services that may be categorised as medium or high-risk. Where KPIs are considered to not be appropriate for specific services the criteria for these should be defined; SLA amendments/Dispute resolution; Operational management of the relationship between all stakeholders including the frequency of meetings and review of performance; and Signed by all relevant stakeholders.</p> <p>2. The SLA should be drafted, reviewed including for</p>	<p>1. When agreeing and drafting the new SLA for 2021/22, FWH will ensure the SLA is in the form of a formal written contract. This contract will include the recommendations detailed.</p> <p>UPDATE: This action is completed.</p>

	<p>grammatical errors and approved by the Head of Transformation and the Board of Directors.</p>	<p>2. The SLA will be agreed by the FWH Board of Directors as well as senior representatives from the Council.</p> <p>UPDATE: This action is completed.</p>
Timeliness of invoicing process	<p>1. A process and timeline for the review and approval of payments should be defined in collaboration with both parties. This may be included in the SLA.</p> <p>2. Relevant roles and responsibilities in the process should also be defined.</p>	<p>FWH will work with the Council to develop a clear process timeline for reviewing and approving invoices. FWH will look to introduce monthly invoicing.</p> <p>UPDATE: This action is ongoing. The due date is Q2 2021/22</p>
Performance reporting	<p>1. Company officers should review or conduct spot checks in order to verify and sign off the source data and monthly performance reports prior to being presented to Board. This process should be documented with appropriate segregation of duties.</p> <p>2. The review and sign off process should be performed in collaboration with the Service Area Leads to ensure any discrepancies are addressed promptly for the timely reporting of the KPIs. Where delays occur, these should be documented and discussed in the SLA meetings with the Council's housing management and conveyancing teams.</p>	<p>1. FWH will ask service providers to document the internal controls around the performance information they produce and agree a programme of internal audit checks of data with the service providers</p> <p>UPDATE: This action is ongoing with a deadline of Q3 2021/22</p> <p>2. FWH officers will request that service area leads send KPI reporting to FWH officers for review prior to Board meetings.</p> <p>UPDATE: This action is completed.</p>
Overarching process guidelines	<p>1. The Company should produce an overarching guidance document outlining the key end-to-end processes and guidelines for processing various types of services commissioned including designated responsibilities for processes.</p> <p>2. This document should be aligned with an agreed SLA and reviewed periodically to reflect change in operations and practices.</p>	<p>An overarching guidance document on SLA processes will be produced. This will be reviewed on an annual basis alongside the SLA.</p> <p>UPDATE: This action is ongoing with a deadline of Q3 2021/22</p>

Scheme of Delegation	<p>1. The Scheme of Delegation should be updated, reviewed and approved and include job titles, rather than names of individuals.</p> <p>2. It should include a review period and responsibility for conducting this review</p>	<p>In 2021/22 the Scheme of Delegation will be reviewed. It will then be reviewed on an annual basis.</p> <p>UPDATE: This action is ongoing with a deadline of Q3 2021/22</p>
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Ref	Strategic Risk	Risk	Business Plan Objective	Trigger	Likelihood	Impact	Score	Mitigation	Owner	Actions	Due Date	July Action Update
1	FWH does not meet H&S requirements	Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored, resulting in FWH being non-compliant.	Safe and Sustainable Homes	Inadequate controls on record creation	4	5	20	Review asset records and the controls around creation and update. Produce a regular compliance report to Board	Head of Property Services	Gas safety process to be reviewed; date to be agreed. Regular compliance reporting to come to Board	Ongoing Aug-21	Monthly gas safety reconciliations being performed Review and agree date at SLA meeting First report to come to September Board for Board feedback
2	FWH does not meet H&S requirements	Poor contractor performance and information control results in FWH properties being non-compliant with statutory H&S objectives.	Safe and Sustainable Homes	Lack of KPIs and monitoring processes	3	5	15	Set up effective monitoring processes on compliance.	Head of Property Services	Regular compliance reporting to come to Board	Aug-21	First report to come to September Board for Board feedback
3	FWH does not meet H&S requirements	There is no affordable or technical solution for FWH properties to meet enhanced legal standards.	Safe and Sustainable Homes	Changing legal obligations	2	5	10	Annual review to monitor changes in regulatory requirements and our compliance with them.	Head of Property Services	Regular compliance reporting to come to Board	Aug-21	First report to come to September Board for Board feedback
4	FWH does not meet H&S requirements	FWH lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.	Safe and Sustainable Homes	Lack of reliable monitoring reports to Board	2	4	8	Annual review of policies and reporting.	Strategic Support Officer	Establish list of required policies, identify gaps and agree review schedule.	Aug-21	List of required policies and gap analysis have been developed. Review work is ongoing with BHM
5	FWH does not meet H&S requirements	FWH policies and procedures specific to non-social housing tenures, e.g. market rent and intermediate rent, are not applied appropriately.	Safe and Sustainable Homes	Inappropriate policies relating to non-social housing tenures	2	3	6	Review of policies and reporting.	Strategic Support Officer	Establish list of required policies, identify gaps and agree review schedule.	Aug-21	List of required policies and gap analysis have been developed. Review work is ongoing with BHM
6	FWH cannot trade as a going concern	Changing Government policy on rents/benefits means FWH cannot increase rents at business plan assumptions.	Running a Viable Business	Change in Government policy	3	3	9	Regular modelling and business plan reviews.	Senior Financial Analyst	Re-test business plan once final account outturn is agreed.	Sep-21	On track
7	FWH cannot trade as a going concern	Reductions and changes in market demand mean FWH cannot increase rents at business plan assumptions.	Running a Viable Business	Change in market demand	3	2	6	Regular modelling and business plan reviews.	Senior Financial Analyst	Stress test model as part of business plan. Re-test business plan once final account outturn is agreed.	Dec-21 Sep-21	On track On track
8	FWH cannot trade as a going concern	Tenant non-payment of rent increases due to unaffordability of rent.	Running a Viable Business	Change in market demand	3	3	9	Regular modelling and business plan reviews, and effective recovery processes.	Income and Sustainment Manager	Stress test model as part of business plan. Benchmark on rent collection rates.	Dec-21 Jul-21	On track Action overdue - to be completed for September Board alongside wider benchmarking exercise
9	FWH cannot trade as a going concern	High void rent loss due to long void turnaround times.	Running a Viable Business	Poor void management processes and reporting	4	3	12	Improved void management processes and reporting.	Voids Manager	Agree void turnaround targets as part of the business plan.	Dec-21	Action completed. Void turnaround targets agreed as part of SLA. To be reviewed again as part of 2022/23 business planning process
10	FWH cannot trade as a going concern	High Capital Programme costs undermine the viability of the business plan.	Running a Viable Business	Poor stock condition and high compliance costs	4	5	20	Development of a costed asset management plan with viable options.	Head of Property Services	Review impacts of voids team restructure. Develop a procurement timetable.	Nov-21 Feb-21	New action Risk score increased from 15 to 20 following final Ridge report Review at SLA meeting
11	FWH cannot trade as a going concern	The costs of remediation to the Granville and Princess Road blocks threaten the financial viability of FWH.	Running a Viable Business	Estimates for works are unaffordable; works require decanting of residents	4	5	20	Professional surveys being undertaken to quantify costs and identify most viable solution. Options to be considered by Board as result of surveys.	Head of Property Services	Procure appropriate support to cost asset management plan. Agree an approach for carrying out remediation works with Guarantor	Sep-21	Risk score increased from 15 to 20 following final Ridge report Work to agree options and funding for carrying out necessary works is ongoing, and an approach will be agreed with the Board and Guarantor Action 'final report to be presented to June Board' completed
12	FWH cannot trade as a going concern	A lack of transparency around costs means FWH cannot effectively report on its costs.	Running a Viable Business	Delay in invoicing transactions to FWH	5	2	10	Improved financial billing processes.	Senior Financial Analyst	Set up full independent company finances as part of Oracle Cloud to allow direct payments.	Dec-21	On track
13	FWH cannot trade as a going concern	Delays in processing utilities and other payments result in poor financial reporting, complaints and financial & reputational damage	Running a Viable Business	The Company fails to set up suppliers and make payments in a timely manner	5	3	15	Improved financial billing processes.	Senior Financial Analyst	Set up full independent company finances as part of Oracle Cloud to allow direct payments.	Dec-21	On track
14	Financial and reputational damage	Fraud results in a loss of income and/or reputational damage to the company and the Council.	Running a Viable Business	Poor internal controls, or lack of compliance with these	2	3	6	Annual review of internal controls.	Strategic Support Officer	Carry out review of internal controls with SLA leads and agree resulting set of actions. Internal controls review to be presented to a future Board meeting.	Oct-22	Previous action to 'get internal controls declaration from SLA leads'. Action updated to reflect need for internal controls review to be carried out with SLA leads before declarations are made Deadline moved from March 2021
15	Financial and reputational damage	FWH is deemed to have failed a regulatory requirement in its corporate role.	Running a Viable Business	Policies and procedures fail to meet regulatory requirements or are not complied with	2	3	6	Annual review of economic regulatory requirements and compliance with these.	Strategic Support Officer	Implement actions from compliance project plan presented at June Board meeting	Feb-22	Action to 'review regulatory requirements and compliance with these' completed. New action added
16	Financial and reputational damage	FWH is deemed to have failed a statutory requirement in its corporate role following developments in the regulatory environment such as the Hackitt Review.	Running a Viable Business	Policies and procedures fail to meet regulatory requirements or are not complied with	2	3	6	Annual review of consumer regulatory requirements and compliance with these.	Strategic Support Officer	Implement actions from compliance project plan presented at June Board meeting	Feb-22	Action to 'review regulatory requirements and compliance with these' completed. New action added
17	Drop in customer satisfaction and damage to reputation	Contractor performance is not effectively managed and monitored, leading to poor customer service.	Providing an Excellent Housing Service	The supply chain is not effectively managed	2	3	6	Clear service standards, regular performance management and engagement with supply chain.	Strategy Delivery Manager	Monthly SLA monitoring meetings reinstated.	May-21	Action completed with meetings ongoing.
18	Drop in customer satisfaction and damage to reputation	Poor service delivery and complaints management procedures give rise to low tenant satisfaction.	Providing an Excellent Housing Service	A lack of clear service standards and complaints management procedures means complaints are not effectively dealt with	2	3	6	Clear service standards and monitoring of complaints performance.	Strategic Support Officer	Draft an updated complaints policy.	May-21	Action outstanding. Review of complaints policy scheduled for July 2021; this will be completed for September Board

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The Audit Findings for First Wave Housing Limited

Year ended 31 March 2021

15 September 2021

Page 127

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DRAFT

Private and Confidential

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15 September 2021

To the Board of Directors

Audit Findings for First Wave Housing Limited for the year ended 31 March 2021

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

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

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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at www.grantthornton.co.uk/about-us/transparency-report/.

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

Joanne Love

Partner
For Grant Thornton UK LLP**Chartered Accountants**

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Contents

Section	Page
1. Status of the audit and opinion	4
2. Observations in respect of significant risks	5
3. Observations in respect of other risks	8
4. Other communication requirements	10
5. Internal controls	11
6. Internal controls – review of issues raised in prior year	12
7. Misstatements	13
8. Independence, ethics, and fees	14
9. Communication of audit matters with those charged with governance	15

Page 129

Status of the audit and opinion

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Page 130

Updated management paper on Granville remedial work including considerations detailed on page 6-7.
Minor sample items or queries from fieldwork.
Final tax specialist review of deferred and current taxation balances and charge.
Final review of updated financial statements.
Receipt of legal confirmation from internal legal team.

All conclusions in this report are subject to final internal quality control reviews, which may result in additional queries or requests.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Our anticipated audit report opinion will be unmodified

Observations in respect of significant risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

- Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue

Our procedures included but were not limited to:

- Review and testing of revenue recognition policies;
- Performing a walkthrough to confirm our understanding of the processes and controls through which the business initiates, records, processes and reports revenue transactions;
- Performing substantive analytical review based on prior year revenue and reflecting changes in property numbers and annual rent increases; and
- Agreeing a sample of the rental income to the supporting rent agreements.

We did not identify any misstatements and control deficiencies in relation to revenue recognition.

2

Management override of controls

- Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities

The work performed by the auditor consisted of:

- Reviewing accounting estimates, judgements and decisions made by management. We have tested the valuation of properties as a significant risk – see page 6; and
- Testing journal entries using audit data analytics to identify potentially unusual transactions. The data analytics performed a series of automated tests, looking for characteristics which may potentially indicate increased risk, for example material profit impact, blank descriptions, or infrequent postings.

We found no misstatements or control points relating to journals testing.

Observations in respect of significant risks (continued)

3

Risks identified in our Audit Plan

Valuation of social housing properties and valuation of investment properties

As a matter of accounting policy, the company holds its housing properties at valuation. This is measured on an existing use for social housing basis. The investment properties are also held at valuation on an open market basis. Both require significant judgement and there is a risk that these revaluation measurements are materially misstated.

During planning, it has also been brought to our attention that significant remedial works are required for a significant portion of the social housing stock of First Wave Housing. Initial cost estimates have been calculated at approximately £18m on housing stock with a carrying value of £12m at 31 March 2021. Management must therefore review the accounting treatment for these works.

Commentary

Valuation of property portfolio:

Our work consisted of:

- Obtaining copies of the valuations prepared by management's expert and agreeing to the financial statements;
- Using an internal expert employed by Grant Thornton to assess the assumptions, inputs, and methods used by management's expert;
- Considering the credentials and independence of the valuers;
- Discussing with the valuers their key assumptions and documenting the challenge and corroborating evidence; and
- Testing the three disposals to underlying documentation to ensure it was appropriate to recognise the disposals in the current year.

We found no misstatements in relation to valuation..

Granville Blocks – refurbishment costs:

A number of issues have been identified at the Granville blocks including water penetration and the use of hazardous materials in the construction that represent a fire risk. Ridge and Partners have been commissioned to survey the block identify the issues and set out remediation proposals and cost estimates. The total cost for the works is estimated at £18m, however the value of the properties in the JLL valuation (with the special assumption that these works have been completed) is £12m. In the initial accounting paper, management had proposed reducing the carrying value of the property portfolio by £18m. However, this would result in "negative assets" of £6m netting off against other housing properties. This is inappropriate and not the correct presentation under FRS 102 or the Housing SORP.

We requested management prepare a paper considering how the facts and circumstances outlined above should be assessed against the criteria within FRS 102, in respect of both the carrying value of the properties and the requirement to recognised any provision.

Specifically in respect of the provision, management were asked to consider the following criteria set out within FRS 102:

Section 21 of FRS 102 requires three criteria to be met in order for a provision to be recognised which are:

- (a) the entity has an obligation at the reporting date as a result of a past event;
- (b) it is probable (that is, more likely than not) that the entity will be required to transfer economic benefits in settlement; and
- (c) the amount of the obligation can be estimated reliably.

This document is prepared solely for First Wave Housing Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

Observations in respect of significant risks (continued)

Risks identified in our Audit Plan

Commentary

3

Valuation of social housing properties and valuation of investment properties

Within their paper management concluded that FWH does have a legal obligation. We considered the basis on which management had reached this conclusion and also consulted with our technical specialists. On the basis of the fact pattern set out by management and as understood by the audit team, we do not agree with management's assessment. Specifically, we note that a distinction must be made between a legally enforceable obligation and a requirement to incur future operating costs. Whilst the laws and regulations quoted by management within their paper impose a series of responsibilities on a housing provider, they do not mandate a specific course of action. Furthermore, many of the requirements are on-going and the costs associated with the remediation works should not be treated differently to any other on-going maintenance cost.

In respect of the carrying value of housing properties, as noted above, FWH applies a policy of revaluation. In accordance with the Housing SORP, the basis of valuation adopted is EUV-SH (Existing Use Value – Social Housing). This uses a discounted cashflow model to derive a valuation. Therefore, it is appropriate that future costs are included within the cashflows. We therefore, concur with management, that the carrying value of the Granville Blocks as at 31 March 2021 is £nil. This was initially presented by management as an impairment, however, as this relates to a movement in the EUV-SH, should be shown as a revaluation movement in the Statement of Comprehensive Income. We are awaiting the final management paper to document their final considerations, as well as financial statements updated to reflect that there is a £12.5m downwards revaluation and no provision or impairment to be recognised.

[Our conclusion on the appropriateness of the position taken by management remains subject to obtaining final documentation.]

Observations in respect of other risks

	Risks identified in our Audit Plan	Commentary
1	Housing property existence There is a potential risk that housing properties do not exist or are not owned by the entity at year-end.	<p>Our procedures included:</p> <ul style="list-style-type: none">• Verifying the existence of a sample of properties to land registry documentation;• Testing the disposals in the year to supporting documentation; and• Reviewing the disclosures within the financial statements. <p>We continue to recommend that the company adopts component accounting to align its policies and results with the Housing SORP. We have reviewed management's assessment that the financial impact is not material for the current year and concur with their assessment.</p>
2	Administrative expenses and corresponding liabilities There is a potential risk that expenditure is incorrectly recognised.	<p>Our procedures included:</p> <ul style="list-style-type: none">• Updating our understanding of the processes and controls applicable to the allocation of expenditure;• Selecting a sample of items and agreeing to supporting documentation to ensure they are correctly classified. We have reconciled costs recharged from the Council to the SLA and quarterly invoices; and• Confirmed the closing creditor balance for amounts owed to the London Borough of Brent.
3	Debt There is the potential risk that debt and interest balances are not complete at year-end.	<p>Our procedures included:</p> <ul style="list-style-type: none">• Confirming the loan balance with London Borough of Brent and recalculating interest payments due; and• Reviewing interest payments and relevant calculations prepared by management to ensure they are in accordance with the loan agreements.

Observations in respect of other risks (continued)

Going concern commentary

Management's assessment process

Management have produced a detailed business plan and budget, which included a 5 year financial forecast.

They have used this to model their expected cashflows and profit for the going concern period (12 months from the expected date of signing).

COVID-19 resulted in increasing uncertainty in the economy and management are monitoring any impact on the rents received each month.

In addition, First Wave Housing are seeking to finance the £18m of remedial works required on properties (see pages 6-7) and this is a key assumption when considering the going concern status of the entity.

Auditor commentary

Our work has consisted of:

- Reviewing management's forecasts and budgets and comparing to the audited results for the current year;
- Reviewing the impact of COVID-19 on the rental income collected during the current year and any impact on the forecast period to date;
- Reviewing the sensitivities produced by management and considering their adequacy; and
- Testing the mathematical accuracy of the forecasts.

We have noted that the Company is reliant on the continued funding and support of the London Borough of Brent (for example the SLA and debt agreement). We have therefore requested that management obtain a letter of support from the London Borough of Brent, which we have obtained and reviewed.

The key assumption within the going concern period is how the £18m of remedial works will be funded, as this is £18m of cash costs outside of the normal course of business which will be incurred within 2 years of the balance sheet date.

[Our conclusion in this area is subject to receiving the final letter of support from the London Borough of Brent.]

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none">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 procedure.
2	Matters in relation to related parties	<ul style="list-style-type: none">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	<ul style="list-style-type: none">We are not aware of any significant incidences of non-compliance with laws and regulations.
4	Written representations	<ul style="list-style-type: none">We will request a letter of representation from the Board to be signed on the date of signing.Specific representations will include:<ul style="list-style-type: none">The going concern forecasts provided are the most up to date and include all material relevant facts and circumstances.The judgements and estimates included in the final Granville accounting paper represent the most up to date and accurate view of the Board.
5	Confirmation requests from third parties	<ul style="list-style-type: none"><i>We are awaiting confirmation of bank balances from RBS.</i><i>We will require a copy of the letter of support provided by the London Borough of Brent to the Directors of the Company.</i>
6	Disclosures	<ul style="list-style-type: none">We have provided feedback on the draft financial statements and are awaiting updated accounts. Final disclosures to amend include the taxation note, the presentation of the downwards revaluation on the Granville blocks, and disclosures relating to the £18.5m of costs for remedial works (subject to mitigating actions such as stock transfer).

Page 136

Internal controls

Assessment	Issue and risk	Recommendations
1	<p>Accounting policies and judgements</p> <p>There are certain judgements within the financial statements which have a material financial impact on the results of the Company. Within the current year this includes the treatment of Granville refurbishment costs. The original accounting paper provided included a negative asset, and no considerations of the SORP and FRS 102 requirements for the write-down of property assets or the recognition of provisions. The original paper proposed recognizing a negative asset of £6m which would offset the carrying value of other properties. This is not an appropriate recognition of the facts and costs. This indicates the paper had not been through an appropriate internal review process. There is a risk that if accounting judgements are not reviewed internally and appropriately concluded on that material errors will be posted to the financial statements.</p> <p>Similarly, it was noted in the prior year that there were multiple iterations of the financial statements due to errors or inconsistencies. There is a risk that financial statements will have material errors including omissions if internal review processes are not completed.</p>	<p>We recommend that all material judgements, estimates, and accounting policies are discussed internally, formally documented, and reviewed by senior finance staff before being implemented.</p> <p>We also recommend that financial statements go through internal review by senior finance staff before being provided to the Board and Audit team, to ensure the process is as efficient as possible.</p> <p>Management response</p> <p>Fixed asset accounting – This was a highly unusual transaction on which management sort advice from GT at the account planning stage. Approaches were reviewed by senior management prior to submission to GT. Engagement with Auditors highlighted the need for input from the GT technical team and this advice took longer to receive than anticipated. When received a final amendment to the accounts was required as a result of the technical teams advice. Our legal advisors have advised that it is a legal obligation to carry out the works and therefore we presented this as a provision in the accounts accordingly. However, we accept the argument, following a GT internal technical review, that this shouldn't be recognised as a provision as FWH could dispose of the assets</p> <p>Financial statements - Accounts have been reviewed in the 20-21 accounts process prior to submission to GT. The review focusses on material items and it is not practical or efficient to review all cross casting or presentational matters until the preparation of the final version of the accounts</p>

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

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

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Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	Application of Component Accounting The Statement of Recommended Practice (SORP) which is applied by the Company requires the application of component accounting. That is a property should not be considered as a single asset but split between its material components. i.e. land, structure, roof, kitchen, bathroom, etc. Management undertook an exercise sometime ago and determined that the impact of not applying such a policy was not material to the financial statements. Over time, the cumulative impact will become material.	Management have prepared a current year assessment of applying component accounting and we concur with their assessment that the difference is immaterial. However, we continue to recommend that component accounting is applied going forwards to ensure compliance with the SORP. We understand management plans to apply this going forwards.

Misstatements

We have not identified any misstatements above our reporting threshold in the work performed to date. We will update this when our work is finalised, including work on the adjustments in respect of the required works at Granville.

Independence, ethics, and fees

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.

Fees

The table below sets out the total fees for audit for the current financial year (net of VAT). There are no non-audit services for the Company.

Company	£
Audit of First Wave Housing Limited	29,500

The fees disclosed in the financial statements should be updated to the current year audit fees (net of VAT). Currently they are stated as £26k.

The financial statements should also be updated to make clear the fees paid to your tax advisors are not paid to Grant Thornton. Currently they are listed under Auditor's Remuneration, but this is inappropriate as the tax computations are not performed by Grant Thornton.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to First Wave Housing Limited. The table summarises all non-audit services which were identified. In addition, we have identified services performed in respect of group entities including the London Borough of Brent and i4B Holding Limited. The fees to these entities are communicated within the Audit Findings Reports of the relevant entity.

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

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Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities


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

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

Distribution of this Audit Findings report

Whilst we seek to **ensure** our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

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	Audit and Standards Advisory Committee 22 September 2021
	Report from the Director of Legal HR Audit and Investigations
Internal Audit Progress Report for the period April – September 2021	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Three Appendix A Completed Audits for the period May to November 2020 Appendix B Audits currently in progress Appendix C Completed audit follow up reviews
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Colin Garland, Internal Audit Manager Tel: 07557 176522 Colin.Garland@Brent.gov.uk

1. Purpose of Report

- 1.1. This report provides an update on progress against the Internal Audit Plan for the period 1 April 2021 to September 2021.

2. Recommendations

- 2.1. The Committee note the content of the report.

3. Internal Audit Performance

- 3.1 During this period, Internal Audit have:
 - Completed 13 audit reviews;
 - Conducted ongoing advisory work on the Oracle Cloud Project;
 - Issued a further three draft reports which are awaiting management responses;
 - Completed four follow up reviews;

- Carried out three school audits;
- Completed grant claim certifications for the Troubled Families Programme.

The team has also been able to react to urgent management requests when required. Further details are set out below.

- 3.2 A Principal Auditor left the Council in May. In August, the Head of Audit and Investigations departed. His replacement is due to start on 25 October. The team continues to be supplemented by a contracted resource from PWC.

Audit Work Undertaken

- 3.3 The Internal Audit Plan for 2021/22 initially comprised 37 audits excluding school reviews, follow-ups and advisory work.
- 3.4 13 audits have been completed during this period (this included eleven that commenced in 2020/21). A further three draft reports have been issued awaiting a response from management. A further three audits are nearing completion or are in progress and a further two have had terms of reference agreed prior to beginning fieldwork.
- 3.5 Details of the audits and the key findings are set out in Appendix A. Details of the audits currently in progress are set out in Appendix B.
- 3.6 The Council has a programme to migrate from the existing finance, procurement and HR/Payroll system to a single Oracle Cloud solution. Audit are carrying out a real time review to provide assurance on the controls and governance of the programme. In a separate audit work stream auditors provided ongoing advice and guidance in respect of UAT, risk and controls to each of the HR, Procurement and Finance work streams.

Follow up Reviews

- 3.7 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented.
- 3.8 During the period, four follow up reviews have been completed. A further eight are currently in progress. Details of the completed follow up reviews are set out in Appendix C.
- 3.9 Of the four completed, two had high-risk actions that had been partially or not implemented. These will be further followed up to ensure they have been satisfactorily implemented and details are included in Appendix C.

46 management actions have been reviewed:

Implemented	Partially Implemented	Not Implemented	No Longer Relevant
27	15	4	0

- 3.10 Revised completion dates have been agreed with management where actions remain partially or not implemented. Audit will revisit to confirm implementation where appropriate.

Schools

- 3.11 The program of school audits focuses on governance, financial processes and accompanying back office resources. 10 school audits are scheduled to be carried out together with one follow up review of an audit completed in 2020/21.
- 3.12 Due to the pandemic we continue to carry out a revised approach; reviewing documentation remotely and carrying out virtual meetings with the school to discuss any issues arising. This may revert later in the year.
- 3.13 Three school audits have been undertaken this period. One draft report has been issued. Completion of the other two audits have been delayed due to difficulties in obtaining documentation from the schools. A further five school audits are planned for quarter three and the remaining two in quarter four.
- 3.14 Internal Audit continue to attend the School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools.

Customer Satisfaction

- 3.15 Management are asked to provide feedback on individual audits completed and the feedback is incorporated into the continuous improvement of the service. Questionnaires issued at the end of each audit ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made.
- 3.16 Three questionnaires have been returned during this period. All responses were very positive with 100% of scores either very satisfied or satisfied.

4. Financial Implications

The report is for noting and so there are no direct financial implications

5. Legal Implications

The report is for noting and so there are no direct legal implications

6. Equality Implications

None

7. Consultation with Ward Members and Stakeholders

None

Report sign off:

Debra Norman, Director of Legal HR Audit and Investigations

Appendix A

Completed Audits for the period May to November 2020

Audit Title	Key Findings
Capital Letters	One medium risk issue - Late notification from Capital Letters of properties procured and the associated payments from Brent Council.
Council Tax	One high risk issue - A number of discounts applied that did not have a review or end date. Three medium risk findings: <ul style="list-style-type: none"> • Evidence is not being retained for applied discounts. • The refunds policy is out of date and the procedure note is lacking in detail. • Reconciliations from Northgate to the General Ledger do not match.
IT Asset Management in the Shared Service	One high risk issue - No formal Shared Technology IT Asset Management policy has been developed and communicated to the wider Council. Three medium risk findings: <ul style="list-style-type: none"> • No periodic reconciliation of IT assets. • No periodic reporting of IT assets to both ICT and business management. • No automated process to ensure that ICT hardware inventory is updated following events such as recruitment, redeployment, extended leave, resignation or dismissal. One low risk finding - A lack of general awareness and training for Council staff related to IT Asset purchases.
Additional Restrictions Grant	Memo issued: <ul style="list-style-type: none"> • Documents should be requested prior to payment of grant. • Regular spot checks prior to payment of grant • Maintenance of records to aid an effective trail.
IT Project Delivery	One high risk finding - Lack of a defined, overarching IT Project Delivery methodology. Two medium risk findings: <ul style="list-style-type: none"> • Budget Tracking and Monitoring • Project Handover Strategy. One low risk finding - Project Management and Reporting Tools.
Introductory Tenancies	One High Risk finding - insufficient evidence to demonstrate that each of the key stages in the Introductory Tenancies pathway had been completed.

	<p>Two Medium Risk findings:</p> <ul style="list-style-type: none"> • No formal training arrangements for officers involved with Introductory Tenancies. • Procedures not been updated since August 2015 and do not reflect current practices.
Housing Succession	<p>High risk finding – No process to provide consolidated reporting to senior management on performance.</p> <p>Three medium risk findings:</p> <ul style="list-style-type: none"> • Succession process document does not reflect updates embedded into the CRM system. • Absence of checks to confirm that all relevant eligibility checks have been performed. • No formal, mandatory training sessions or programmes for officers.
Accounts Payable	<p>One high risk - inconsistencies and non-adherence to procedural guidance for setup of new commercial and non-commercial suppliers.</p> <p>Five medium risk findings:</p> <ul style="list-style-type: none"> • Approved Supplier List includes inactivate suppliers not been used since 2018/19. • No guidance in place outlining controls, roles and responsibilities for receiving and processing credit notes/overpayments. • Anomalies between suppliers and invoice payments. • Existing Black box policy does not reflect current practice. • Oracle cloud training program should be provided to relevant employees.
Temporary Workers	<p>One high risk finding - no KPIs against which Comensura's performance is being measured to ensure agreed standards are maintained;</p> <p>Two medium risk:</p> <ul style="list-style-type: none"> • Shared action plan does not show date when an action is added or who is responsible; • Management reporting for off-contract expenditure does not list the worker's start date. <p>One low risk - Recruitment and Selection policy document does not have an implementation or review date.</p>
Planning	<p>Two medium risk findings:</p> <ul style="list-style-type: none"> • Inaccuracies and delays in adhering to the public consultation process. • Decision-making process for one application exceeded the timescales stipulated by the statutory determination period.
Treasury Management	<p>One medium risk issue - Transactions for which evidence of approval had not been uploaded onto SharePoint.</p> <p>Two low risk:</p> <ul style="list-style-type: none"> • Authoriser responsibility document has not been updated to reflect staff changes. • No formal process to assess broker performance.

Commercial Supplier Set Up	<p>Memo issued raising issues around:</p> <ul style="list-style-type: none"> • System for verifying account sort codes; • List of new supplier registrations; • Regular spot checks on a sample of new commercial supplier registrations.
Barham Park Accounts	Internal Audit acted as an independent examiner and reviewed the draft Barham Park Trust 2020-21 accounts which will be submitted to the Charities Commission.

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Appendix B: Current Audits

Audit	Current Status
Housing Client Function	Draft Report issued to Management
Leaseholder Repairs	Draft Report issued to Management
Gifts and Hospitality	Draft Report issued to Management
Homecare	Fieldwork in progress
Oracle Project	Fieldwork in progress
Financial Support for Schools	Fieldwork in progress
FWH/i4B Asset Management	Draft Terms of Reference with Management
Fostering	Draft Terms of Reference with Management
Purchasing Cards	Planning in progress
Early Help	Planning in progress

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Appendix C

Follow Up Reviews

Audit Title	Management Actions			
	Implemented	Partially Implemented	Not implemented	No Longer relevant
IT Platform Review	3	7 (3)	4 (4)	0
Health and Safety	13	3 (3)	0	0
Robotics Process Automation	8	3	0	0
Legionella	3	2	0	0

The numbers in brackets are high risk actions partially or not implemented and detailed below:

IT Platform Review:

Changes to Configuration Settings

- a) Ensure that only authorised staff members can make changes to the configuration settings
- b) Ensure that an approval process is implemented to ensure that only approved changes to configuration settings are made
- c) Implement a monitoring process to detect any unauthorised changes to the configuration settings.

Partially Implemented

An investment proposal is being raised for a product that can check the configurations of servers against a base line. As of 01/12/20 - partners have not approved budget, therefore we were unable to complete the management actions. Revised date 30 September 2021.

Monitoring of User Activity

- a) Ensure that the Security team in conjunction with Council IT Management perform a risk assessment to identify all the audit logs available on the platforms. Subsequently, a decision should be made as to which logs should be monitored and by whom.
- b) If there are logs that should be monitored, identify the key sensitive transactions and activities that need to be identified,
- c) Develop exception reports that are generated automatically when these transactions are performed; and
- d) Ensure that the correct Line Management receive these reports for review and/or authorisation.

Not Implemented

Closer and more detailed logging in at the client estate needs investment from all of the partners. Adding this extra layer of security is estimated to cost £300,000 per year. This will be reviewed later in the year. Revised date 30 September 2021.

Health and Safety:

Absence of Internal Assurance Activities

- a) Develop a risk-based assurance plan for undertaking H&S assurance activities (audits and inspections) for key risks across the Council (refer to appendix C for more detail on internal assurance activities).
- b) Report on the findings of these assurance activities to the H&S committee and the Council Management Team (CMT).
- c). Review the H&S team capacity to carry out assurance of the H&S management system in addition to current advisory role, ensuring there are suitable independence considerations in place between those providing assurance and those providing advisory support

Partially Implemented

The H&S team developed a risk based assurance plan for undertaking assurance activities. However, the audits were not able to take place due to the effect of covid19 on the council. The H&S team will draw up a new assurance plan once there is more stability within council services. Revised date 31 July 2021.

	Audit and Standards Advisory Committee 22 September 2021
	Report from the Director of Legal, HR and Audit & Investigations
Counter Fraud - 2021/22 Progress Report Q1 and Q2	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal HR, Audit & Investigations 020 8937 1578 debra.norman@brent.gov.uk

1.0 Purpose of the Report

- 1.1 The report sets out a summary of the counter fraud activity for 2021/22 Q1 and Q2, up to 31 August 2021.

2.0 Recommendation

- 2.1 The Audit and Standards Advisory Committee to note the report content.

3.0 Detail

Internal Fraud

- 3.1 Internal referrals include whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the 'Proactive' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. The table below sets out key figures in this area for 2021/22.

Table A – Internal Fraud

Internal Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open Cases b/f	21			18	21	12	5
New Referrals	14			8	6	38	35
Closed Cases	13			4	9	29	28
Open Cases c/f	22			22	18	21	12
Fraud / Irregularity identified*	5			1	4	4	12

* Where closed cases do not identify fraud / irregularity, these are generally recorded as NFA (No Further Action)

3.2 There were 14 new referrals opened during the first five months from a variety of sources that also related to whistleblowing. The volume of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the council remains effective. Due to the confidential nature of the type of referrals, it is not appropriate to provide details in this report. A summary of the main case types received is as follows:

- Breach of financial / other regulations;
- Bribery and Corruption;
- Conflict of Interest;
- External offences/conduct by staff, and
- Recruitment irregularities.

3.3 One case involved misuse of the council's car club facility by a member of staff during their probation, and the individual concerned was dismissed following a disciplinary investigation.

3.4 Another case involved a conflict of interest relating to undeclared secondary employment. The officer received a final warning following a disciplinary investigation.

3.5 With most cases under this category, the Counter Fraud team will report to management with any recommendations to improve control and to mitigate future occurrences. It will also liaise with the Internal Audit team for wider consideration in the Audit Plan. Recommendations arising from fraud investigations are followed up with the same rigour as those from Internal Audit.

3.6 The team arrange regular fraud awareness workshops across all council services. This is an on-going commitment and coverage includes services where fraud has occurred or where the team's own fraud risk assessment of a service suggests there is a higher fraud risk.

Tenancy and Social Housing Fraud

- 3.7 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office ([National Fraud Initiative Reports 2016 - 2020](#)). The counter-fraud activity for 2021/22 is summarised in the table below.

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open cases b/f	82			94	82	66	23
New cases	69			20	49	202	176
Closed cases	60			23	37	186	133
Open cases c/f	91			91	94	82	66
Fraud Identified	8			4	4	11	19

** Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)*

- 3.8 The total number of fraudulent housing cases concluded up to 31 August 2021 was eight, which is higher than recorded for the same period in the previous year of four. The total notional and actual value of these cases is £755,900. In addition, the team has completed 16 tenancy verifications where fraud was not identified.
- 3.9 The number of housing frauds detected during the first five months has slightly increased when compared to an average of 19 total recoveries over the previous three years (11, 19, and 27). Referrals from Brent Housing Management (BHM) have improved compared to the last two years, and both teams are working to increase the quality and quantity of referrals. Of the 69 referrals logged in Q1 and Q2, 35 were from BHM teams, which represents 50.7% of new investigations opened compared with 15.6% for the same period in the previous year. In comparison, of the eight successful fraudulent cases concluded in the same period, four were from direct engagement with BHM and the remaining cases from internal proactive work and other housing related teams. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with council tenants.
- 3.10 There are currently 108 live housing investigations – of these, 18 cases are involved with legal proceedings to recover the property, and a further 14 cases have been concluded by the team with a report issued to BHM and other RSLs to instigate recovery action. The team is working closely with the relevant teams to progress these cases.

- 3.11 The team is currently working with BHM to provide appropriate access to anti-fraud and tracing systems for their staff to aid verification, particularly with Succession and Right to Buy applications. It is also assisting management with its ongoing tenancy audit and anti-fraud strategy.

External Fraud

- 3.12 'External fraud' includes all external fraud / irregularity that affects the council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity for 2021/22 is summarised in the table below:

Table C – External Fraud

External Fraud	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)	2019/20 (full year)
Open cases b/f	96			99	96	37	20
New Referrals	79			44	35	343	193
Closed Cases	59			27	32	284	176
Open cases c/f	116			116	99	96	37
Fraud / Irregularity identified*	19			12	7	19	49

* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action).

- 3.13 There has been a decrease in referrals of this type – 79 new cases compared to 207 during the same period last year. The increase in last year's referrals coincided with the government's lockdown arrangements. Approximately 80% of all external referrals received were from the public with the majority related to household occupancy, business grant schemes, parking and other breaches related to lockdown arrangements. The current level of referrals is consistent with pre-lockdown arrangements.
- 3.14 Successful outcomes have increased compared to the previous year, which includes six cautions/warnings issued for Blue Badge fraud. A further two Blue Badge cases were successfully prosecuted during Q2 – both under Section 6, Fraud Act offences for using counterfeit badges.
- 3.15 Five fraudulent cases relating to Business Covid-19 Grants were concluded during this period and identified savings of £83,750. Another grant case (not Covid related) concluded in Q2, where the applicant had attempted to defraud the council of almost £46,000 by submitting false supporting documentation – the case was successfully prosecuted under the Forgery and Counterfeiting Act, and the defendant received a three-month community order and ordered to pay cost totalling £1,825.

- 3.16 There are currently 105 live cases, which includes 47 Blue Badge, 15 Council Tax, and ten Business Rates and Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, grants, benefits and other alleged offences affecting the council.

Proactive activity

- 3.17 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team. This will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all service areas. The counter fraud activity for 2021/22 is summarised in the table below:

Table D – Proactive Cases

Proactive Cases	2021/22 (full year)	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 (full year)
Open cases b/f	35			30	35	N/A*
New Referrals	12			3	9	
Closed Cases	18			4	14	
Open cases c/f	29			29	30	
<i>Fraud / Irregularity / Savings identified</i>	3			3	0	
<i>Advice / Recommendations</i>	1			0	1	
<i>Audit / Risk review</i>	18			4	14	

* The Proactive Cases summary was previously merged with Table C – External Fraud.

- 3.18 The mandatory data submissions for the [National Fraud Initiative \(NFI\) 2020](#) exercise was uploaded in October 2020. The results were available during 2020/21 Q4, and produced 12,251 matches, which the team have started to review with a risk based approach. The previous exercise generated 19,296 data matches and the review concluded in Q1 identified over £570,000 savings from fraud and error covering a range of service areas. These represent multiple data matching reports across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Parking Permits and concessionary travel. In addition, there are new reports relating to the first round of Business Covid-19 Grants paid out during Q1 and Q2 of 2020/21. These reports were available during Q1 and produced 59 matches, which the team are actively reviewing with the relevant services and have so far, identified 19 discretionary grant payments that are potentially fraudulent and/or are recoverable.

- 3.19 Two Blue Badge operations were undertaken with Parking Enforcement during Q1 and Q2 covering the Cricklewood area. These were part of a visible presence with other enforcement teams. Both operations resulted in 33 badges inspected and four Blue Badge offences identified. The team will continue to review the Covid-19 risks during Q3 and Q4 before conducting larger operations though will continue to support other enforcement teams in smaller targeted operations.
- 3.20 A fraud risk review concluded with the No Recourse to Public Funds and Intentionally Homeless team, focussed on their verification of clients and the controls to mitigate fraud in relation to Section 17 (Children's Act) payments. The service accepted and implemented all recommendations. The review commenced with training and a fraud workshop to understand existing controls.
- 3.21 The team have undertaken training sessions for BHM and Parking staff. Six sessions covering 63 BHM staff, and seven sessions covering 53 staff from the Parking and Independent Travel teams were delivered during Q1 and Q2. Further training during September for Benefits and Customer Service staff is planned.
- 3.22 The team will identify notional and actual savings from its investigations and reviews. These are summarised in the table below.

Table E – Savings Summary

Savings Summary	Year to date	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1
Blue Badge	153,525.00			152,375.00	1,150.00
Client Funds	975.90				975.90
Council Tax Benefit	657.69				657.69
Council Tax Reduction Scheme	3,301.55				3,301.55
Council Tax SPD	837.84			779.76	58.08
Creditor Payments	578.14			578.14	
Grant Funding	64,980.00			64,980.00	
Grant Funding - Covid-19	83,750.00			58,750.00	25,000.00
Home Loss Payment	7,625.00				7,625.00
Housing Tenancy	651,000.00			372,000.00	279,000.00
Rent Allowance	17,631.68				17,631.68
Right To Buy Fraud	104,900.00			104,900.00	
Litigation Investigation Costs	1,825.50			2,075.50	
	1,091,838.30	0.00	0.00	756,438.40	335,399.90

* Summary covers concluded cases / reviews, and does not include values recorded against live cases.

Other Activity

- 3.23 The service has proposed that the Council obtain full membership access to an **Internal Fraud Database** (IFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). An update was sent to CMT earlier this year and the membership agreement has been reviewed and approved by the Director of Legal, HR and Audit & Investigations.
- The IFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls.
 - The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.
 - The team and Cifas is currently working with HR and Recruitment to prepare for a go-live date during 2021/22.
- 3.24 In June, four new **identity scanners** were installed at the Civic Centre. They are located at Recruitment, Registrars and Customer Services, with an additional mobile version held by the team. Staff from various services have access and the team will continue to promote the scanners and roll out access to relevant staff. The scanners have enhanced features to authenticate almost all worldwide identity documents. It will provide staff a higher degree of assurance and further protect the council from fraud.
- 3.25 Two new staff are due to join the team in Q3 as Trainee Counter Fraud Officers. Using a Government anti-housing fraud grant, they will undertake the new **Counter Fraud Apprenticeship** as part of a two-year secondment and training programme.

4.0 Alternative Options Considered

- 4.1 N/A

5.0 Financial Implications

- 5.1 There are no specific financial implications associated with noting this report.

6.0 Legal Implications

- 6.1 There are no specific legal implications associated with noting this report.

7.0 Equality Implications

- 7.1 None

8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)

- 8.1 None

9.0 Proposed Consultation with Ward Members and Stakeholders

9.1 None

Report sign off:

Debra Norman

Director of Legal, HR, Audit and Investigations

Auditor's Annual Report on the London Borough of Brent

Year ended 31 March 2021

Page 163
London Borough of Brent
September 2021



Contents

Page 164

We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) in 2020 requires us to report to you our commentary relating to proper arrangements.

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



Section	Page
Executive Summary	3
Key recommendations	5
Commentary on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Governance	11
Improving economy, efficiency and effectiveness	19
COVID-19 arrangements	28
Opinion on the financial statements	30
Appendices	
A – The responsibilities of the Council	
B – An explanatory note on recommendations	

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

Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

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

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made



Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Brent, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position. The Authority has put forward a series of proposals which forecast a balanced budget for the next two years. In addition, as at 31 March 2021, the Authority held general revenue reserves of £15.1m and held £358.2m of earmarked reserves.

This places the Authority in a strong financial position. Having planned its budgets for future years well in advance will enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority.

Further details can be seen on pages 7-10 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements or improvement recommendations in relation to governance.

Further details can be seen on pages 11-18 of this report.



Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 19-27 of this report.



Opinion on the financial statements

We have substantially completed our audit of the Council's financial statements and plan to issue an unqualified audit opinion following the Audit & Standards Committee meeting on 22 September, in line with the national deadline of 30 September 2021. Our findings are set out in further detail on page 30.



Key recommendations



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

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

The range of recommendations that external auditors can make is explained in Appendix B.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

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

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

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 7 to 29.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

2020/21 and ongoing financial pressures

Brent has historically performed well, with a record of strong financial and budgetary management. Despite the challenging environment in which it is operating, the 2020/21 outturn position for the council prior to accounting for the impact of COVID-19 resulted in break-even for the General Fund, a £0.3m underspend for the HRA and a £5.0m overspend for the DSG. The impact of COVID-19, which added a further £42m of costs and income losses, was offset by emergency funding from government.

At the end of 2020/21 the Dedicated Schools Grant (DSG) deficit is £10.5m. This is due to pressures in the High Needs Block. As a result, cost avoidance is required over the next 5 years. A management plan has been put in place which assumes a slow down in the growth of these pressures and assumes that the HNB funding increases by an average of 7% over the next few years. Although the pressure is forecast to slow down, the cumulative deficit will increase before a reduction occurs which is likely to be by 2024-25.

Whilst DSG deficit positions can be carried forward against the grant for future years, the Authority is required to have a multi-year deficit recovery plan in place. This does present a risk of a significant weakness in terms of financial stability. However, the Council is aware of this risk and have a number of action plans in place to address this. The Council's management information is good, and there is targeted monitoring and oversight of this area (a specific task force has been appointed to oversee this, in addition to Cabinet and Committee oversight). It is considered that sufficient action is being taken to address this risk and it is not considered necessary to additionally report this from a VFM perspective. This deficit has been identified by the Council as one of the highest risks set out on the Corporate Risk Register. Ongoing monitoring will remain necessary – especially over the reduction in demand assumed in future years. These assumptions will need to be reviewed regularly.

The Council has a strong reserves position with £338.7m in reserves (£398m 2019/20). Only reserves already earmarked for managing short term budgetary constraints have been utilised during the year. These totalled £2m. Reserves management is seen by the Council as critical and it has been seen that members understand reserves are not available to be spent to 'balance the books'. There is a plan to maintain this reserves position, not to regularly or permanently reduce them (other than those earmarked to finance the Council's ambitious housebuilding capital programmes).

Future years' budgets are currently balanced, so there is no up front intention to utilise these reserves. Significant work has been undertaken by the Authority to identify savings opportunities to balance the books, and the medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain.

Financial sustainability

Savings plans

The Council monitors the delivery of planned savings, and mitigating actions where required, on a quarterly basis. These are reported to the Council Management Team (CMT) and to Cabinet. Over the last 10 years, the Council has successfully delivered a savings programme totalling £185m. Savings of £7.4m had been included within the 2020/21 budget. However, as a result of COVID-19, not all of these savings are considered achievable.

Overall, from a financial planning and budget setting point of view, the revised plan is broadly positive at this stage in that the majority of savings (63%) are on track to be delivered. The balance of planned savings is still expected to be delivered but with some slippage. This suggests that, other than re-profiling between years, the savings previously agreed should continue to be embedded in the MFTS. Work is ongoing to develop and oversee the mitigating actions considered necessary to implement the savings currently considered as unachievable.

Status of savings following 2021 review

	2020/21 original saving (£000)	2022/23 original saving (£000)	2022/23 original saving (£000)	Total (£000)
Savings on track to be delivered	2,828	4,095	1,740	8,663
Slippage on delivery but still achievable	4,341	0	0	4,341
Savings unachievable	235	185	30	450

Financial Planning

The Borough Plan clearly sets out corporate strategic priorities, which are referenced within the Council's financial planning. This planning aims to provide a framework to invest in the Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19.

The capital programme also supports the Council's corporate priorities. Its budget is mainly focused on the key aim of building new homes. The Council's actual capital spend was £171.8m in 2020/21, an outturn of 76% against budget. There was slippage in capital spending due to COVID, but the spending achieved does reflect the Council's priorities as set out in the Borough Plan. We are satisfied there is a clear linkage between the Medium Term Financial Strategy and the priorities set out in the Borough Plan.

Whilst discretionary spending is subject to close scrutiny when spending and savings plans are being considered, these two types of spending are not clearly differentiated in the financial planning reports which underlie the budget and MTFP. We have identified this as an improvement recommendation.

Managing risks to financial resilience

The Council has incorporated uncertainty into its planning and based the MFTS on a mid-range scenario, having modelling three different scenarios of additional growth pressures. Based on this, the funding gap is estimated at £6.1m for 2021/22.

Some of this is being managed by planned savings. Some by a carry forward of COVID funding from 2020/21.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.

Financial sustainability

Medium term financial planning

Usually the Medium Term Financial Strategy (MTFS) is updated annually as part of the draft budget. Additionally, a fundamental review of the MTFS was undertaken in 2020 for the period 2020/21 to 2022/23. As part of this review, sensitivity analysis and scenario modelling was undertaken on all aspects of the MTFS, including income assumptions, expenditure assumptions and savings assumptions.

A further review of these assumptions was undertaken early in 2021 to identify the future impact of COVID-19. The Council now has a series of proposals which forecast a balanced budget for the next two years. This will place the Council in a strong financial position, as planning the budgets for future years well in advance will enable sensible phasing of proposals to minimise the impact on services to residents.

As such, we are satisfied the Council identifies and manages risks to financial resilience and challenges the assumptions underlying its plans.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified one opportunity for improvement, this is set out overleaf.



Improvement recommendation



Financial Sustainability

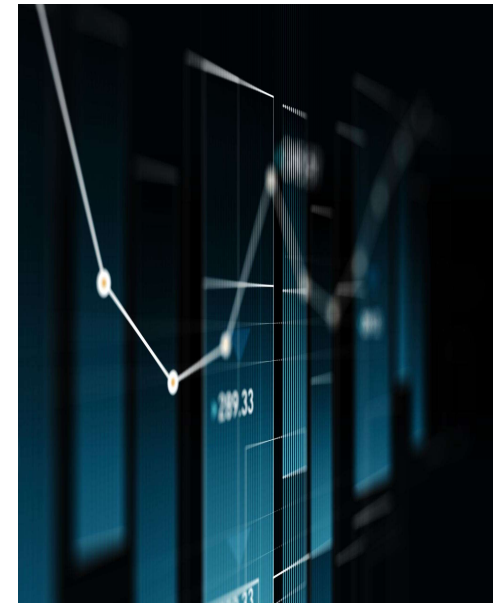
Recommendation Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.

Why/impact This would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside of or in addition to its statutory obligations.

Auditor judgement The different categories of spending could be made clearer. Currently it is not apparent whether any of the Council's spending is discretionary.

Summary findings No distinction is made in the financial information reported to TCWG between statutory and discretionary spending.

Management comment Officers will consider how this approach could be implemented.



The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards

Monitoring and assessing risk

The Corporate Risk Register is updated annually. It is visually very informative, with a front page scorecard setting out in a graph the likelihood and potential financial impact of each of the 11 key/core risks identified this year. In addition to the potential financial impact of each of the risks, the potential reputational damage of service failure is also considered. This corporate register is informed by the eleven individual departmental level risk registers. These are also updated annually, and follow a similar format with a RAG rating of risks based on an assessment of their impact/likelihood. These could be improved by all departments following the same format.

The Cabinet consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Council Management Team also reviews these corporate risks through quarterly monitoring reports. These include feedback from the Risk Management Group. Risks are identified within individual Service Plans and considered on a regular basis within departmental management teams. Key operational risks are reported through to the Corporate Management Team. A recent external review of the effectiveness of the Risk Management approach established that risk is well understood across all levels of management at the Council.

Robust business continuity management arrangements also exist within the Council, with all critical services having business continuity plans in place. The Council's understanding of and planning for risks appears sound, and does not demonstrate a risk of a serious weakness.

There is a good audit and investigations function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. It has demonstrated itself to be a dynamic service capable of reacting and responding to changing circumstances. 32 audits were completed during the year, with a high level of recommendations accepted and implemented by management (over 90%). All recommendations which remain outstanding are reported to the Council Management Team for action and to the Audit and Standards Advisory Committee (ASC) for information.

Whilst no significant weaknesses from a VFM perspective have been identified by internal audit, we do consider there to be an opportunity to improve their own annual planning process. Internal audit do not undertake an independent review of recent or upcoming legislative changes which may impact the Authority. Currently, internal audit rely on management to identify legislation which may have an impact on their work. Whilst the extent of management involvement in the audit planning process is good and points to a positive working collaboration, we think an independent check on this to inform their plan would be a useful validation exercise.

Similarly, the Counter Fraud Specialists undertake a programme of work to support the ASC, including a mix of proactive and investigatory work. Findings are reported appropriately. There have been only minor instances of fraud identified as being perpetrated in 2020/21.

The payment of COVID grants to businesses, together with the urgency with which these grants were required to be paid, presented a new risk during the year. Payments were approved under emergency powers to ensure businesses in need were given immediate assistance. There appears to have been an appreciation of the risk posed by this situation, with internal audit involved from the start and all payments made using emergency powers subsequently reported to the ASC. We are satisfied the Council put in place procedures to review these payments. Subsequent internal audit reviews have also investigated these payments and further work is currently being undertaken to review any payments deemed inappropriate. We think members should also review and confirm whether any related parties were in receipt of these grants, and if so, whether any additional declarations should be made by members in respect of these grants.

Governance

Budgetary Setting Process

The budget-setting process is multi-layered and extremely thorough, with several stages. The draft budget is then presented to Cabinet for review in December, with additional papers presented to Cabinet to approve the budget in February. There is also a quarterly review of budget to outturn position by Cabinet.

The budget and MTFS are considered concurrently. There is not a separate, stand alone MTFS, but the longer-term projections and any risks to the medium term are incorporated into the reports accompanying the budgetary information considered by Cabinet quarterly.

This high level of scrutiny together with the Council's track record of achieving its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.



Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. As well as quarterly budget reports to cabinet, budget holders have access to real time information via self-service budget reports. These can be viewed either at a summary (high) level or at a detailed level. There is stringent in year oversight of the budget at a high level, with the Policy Co-ordination Group, Scrutiny Committees and Council Management Team reviewing and assessing the actual outturn and future risks to the budget. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are set out.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates a Leader and Cabinet form of executive arrangements. In addition, there are two scrutiny committees which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established antifraud culture. We have identified some opportunities to strengthen these with a central register of members' interests and similarly a central register of gifts and hospitality declared.

Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

Conclusion

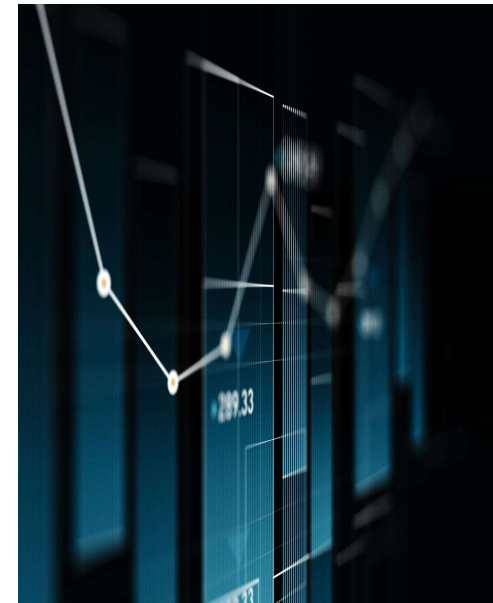
Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified some opportunities for improvement, set out overleaf.

Improvement recommendation



Governance

Recommendation	All COVID grant payments to business should be reviewed, and members should check and confirm whether payments were made to any related parties and if so, whether any additional declarations are required to be made by them.
Why/impact	There is a risk that these payments were made without being subject to the Council's usual level and timeliness of scrutiny. If payments have been made to related parties, this could pose a reputational risk for members and for the Council.
Auditor judgement	The risk of related parties being in receipt of these grants should be included any retrospective checking of these payments.
Summary findings	Whilst COVID grant payments were subject to later reviews to determine whether these were lawful and in accordance with grant conditions, it is not clear that these were checked against members' declared interests.
Management comment	Internal Audit will seek conduct a post assurance review of these payments.



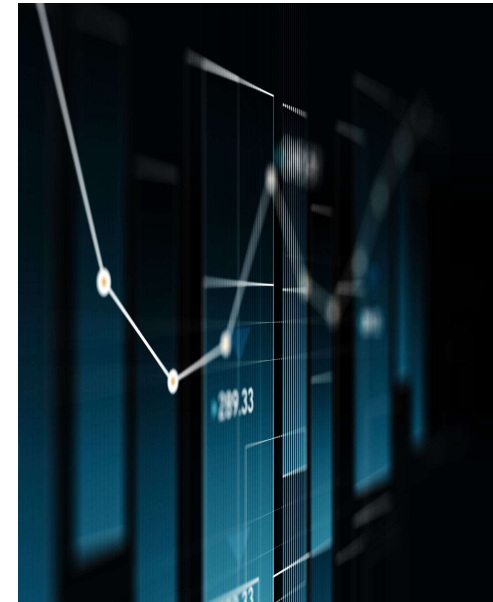
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation	In developing the annual plan, internal audit should consider an exercise to review legislation which has been enacted over the last year (or is due to be passed) which will have implications for the Council.
Why/impact	Whilst audit are part of management and collaborating with management is expected, audit could be more proactive to ensure they incorporate checking that there is compliance with new requirements (both statutory and other requirements) into their audit work.
Auditor judgement	There is scope to add a review of recent legislation in informing the internal audit plan. This would help ensure internal audit are reviewing all recent or updated compliance requirements.
Summary findings	Internal audit rely on management to inform them of legislative requirements. By performing an independent review themselves, internal audit can undertake a completeness check on this information.
Management comment	As part of current audit planning meetings with senior management and their respective DMTs, new or changing legislation is discussed and where necessary audits are included in the plan. As part of individual audits, compliance and awareness of legislation often forms part of the scope. Internal Audit are not strictly part of management, primarily to ensure that we maintain our required level of independence. Internal Audit will consider an exercise to review legislation passed over the last year.



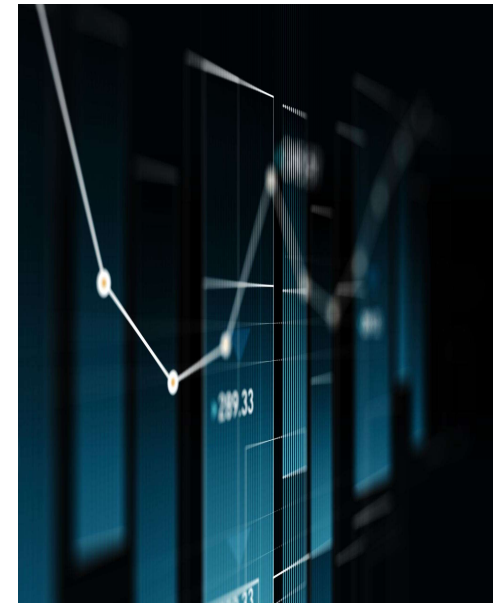
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Improvement recommendation



Governance

Recommendation	All but two of the eleven departmental risk registers follow the standardised format. This format is good, with a scorecard at the front of the register setting out the weighting and the scoring of risks. We recommend that all departments use this model, as the weighting and scoring system is good and focusses the assessment of risks on those which are high.
Why/impact	Higher risk areas or key strategic risks may not be given due weight in the assessment process. Ensuring all registers follow the standard format forces the analysis to target key areas.
Auditor judgement	There is a risk that the more significant risks are omitted from the analysis found in the risk registers.
Summary findings	Two of the departmental risks registers do not follow the standardised format. The standard format includes a weighting risks and identification those which represent the most significant potential loss, either in revenue terms or reputational terms. It would be better practice for all departmental risk registers to follow this format.
Management comment	A revised risk register format is to be proposed at the next round of risk register updates. The revised format retains the current heat map with the detail now contained in an excel spreadsheet. This enables management to better see and analyse risk information. The spreadsheet will show current and previous risk scores as agreed with the Audit and Standards Advisory Committee.



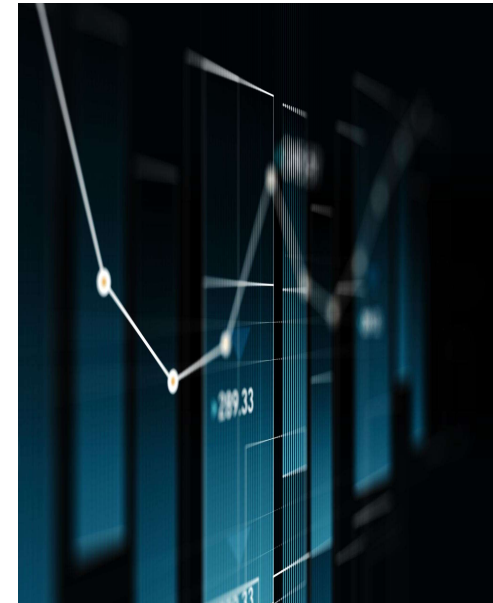
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation	Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.
Why/impact	Having to check each member separately is piecemeal and makes it difficult to confirm the overall complexion of interests held.
Auditor judgement	It is not immediately apparent if there are a number of interests or similar interests held by any particular committee or political grouping.
Summary findings	Whilst there is a full register of members interests made available at the library, this is not available online as a single document. Transparency could be improved by making this information available in a single place online.
Management comment	The creation of a central register for members' interests is a sensible recommendation for improving the council's transparency. However, having looked at the practicalities, it would require a duplication of effort as there is no functionality in the current system to download the data from individual members' entries. Set against the number of views we received on these webpages, the creation of merged registers seems a disproportionate response for a small number of users. We will revisit this proposal once the changes to the website have been implemented and in the meantime will investigate if other councils keep a central register and the systems they use to update it.



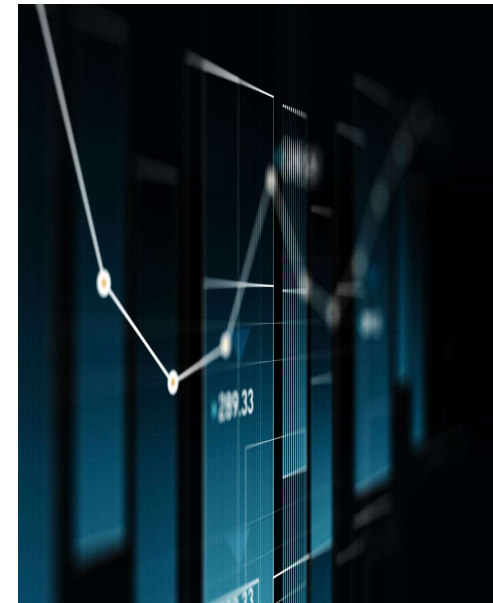
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation	Whilst gifts and hospitality received are declared, as with members interests there is not a central register of all gifts and hospitality received.
Why/impact	Transparency of gifts and hospitality received is important. This protects members from inappropriate allegations of corruption or bias. Currently it is difficult to see the entirety of gifts and hospitality received by time period or by Committee.
Auditor judgement	It is not immediately apparent if there is any consistency in the gifts and hospitality being accepted by any particular committee or political grouping.
Summary findings	Transparency could be improved by making this information available in a single place online. This could help the Authority (and members) to demonstrate that gifts and hospitality are not tools being used to lobby or incentivise members.
Management comment	The creation of a central register for members' gifts and hospitality is also sensible recommendation for improving the council's transparency, but the same issues as outlined above apply.



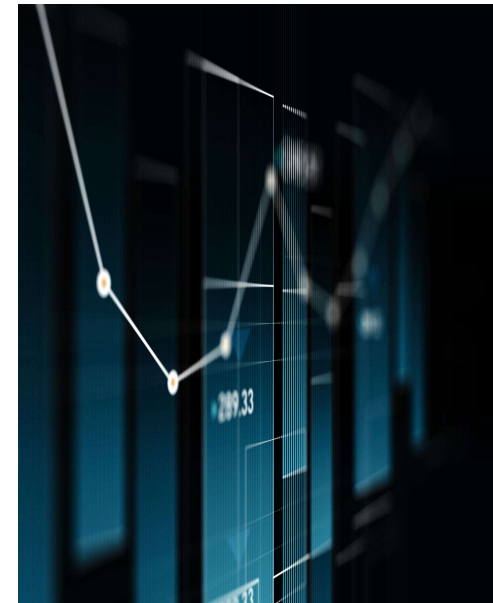
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation	There is no requirement to register gifts or hospitality which have been declined. This could be helpful to report to other members as a matter of course, so they can be alert in case they are also approached and offered something which ought to be declined.
Why/impact	If there is a pattern of inappropriate gifts or hospitality being offered to members, this should be known and highlighted.
Auditor judgement	There is a risk that inappropriate gifts or hospitality could be accepted. Transparency could be improved by this knowledge sharing between officers and members.
Summary findings	Whilst all gifts and hospitality which have been accepted are recorded and published, it is not possible to see what has been declined. If one member or officer considers it inappropriate to accept a particular gift or offer of hospitality, it would be useful to share this (and the rationale for the refusal) with others.
Management comment	The same issues as above apply to this recommendation. In addition, the register for members' gifts and hospitality is linked to the Code of Conduct. Where gifts have been received creates a personal interest for the member in matters particularly affecting the giver of the gift or hospitality. This will also need to be considered as part of revisiting the proposals concerning the registers once the changes to the website have been implemented.



The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits

Performance review, monitoring and assessment

The Council has a strong Performance Management Framework, overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align the Council's performance monitoring and reporting and coordinate the production of two main reports, the Quarterly Performance Report for Cabinet, and the Portfolio Performance Packs. Members play a regular role in performance management, and are expected to provide challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders also have regular meetings with Strategic Directors and review finance and performance indicators.

In addition, the review and follow up of both internal and external audit recommendations is sound, with regular reports to Cabinet on the progress in implementing these recommendations.

The performance information produced for scrutiny is very good. A highly detailed and explanatory performance scorecard is included within these reports. This scorecard has recently been revised to align more closely with the Borough Plan, and sets out RAG ratings for over 130 KPIs used to assess the Council's performance against the targets set out in the Borough Plan. The KPIs are set out by strategic priority, so members are able to focus on those which are relevant to their individual portfolios.

This scorecard clearly sets out areas for improvement with a helpful commentary against each KPI, explaining issues which have arisen and actions taken, and we are satisfied the monitoring of performance is good.

An additional purple category has been added to the RAG ratings this year, to highlight areas where performance deterioration is directly attributable to the impact of COVID. This provides a helpful context to the high number of performance targets not met this year.

Whilst this benchmarking provides good information to management and to members, it is only against the Council's own internally-derived targets. There is not a clear or consistent use of benchmarking against other authorities as a tool to assess the Council's performance or to identify areas for improvement.

The Borough Plan is an aspirational tool setting out a strategic vision for Brent. The work underpinning this plan is rigorous, as is the scrutiny and oversight of its delivery. The Council are clear that the strategies in this Plan must remain relevant to its communities and as such, it is reviewed every three years to ensure it remains current and demonstrates that the Council have listened to and responded to its communities. We have identified minor opportunities to improve this plan.

Where services are outsourced, contract review is delegated to the relevant service. As this review is disaggregated, the Council has established a Commissioners Network which provides tools and training to those officers with responsibility for the oversight and management of contracts. Training and knowledge sharing is also provided by this network. Whilst this is appropriate, we have identified that as contract monitoring currently sits within services, we recommend that monitoring of contracts on a 'business as usual' basis be included within a regular reporting cycle, be that to Scrutiny Committees or to relevant service committees. We have also identified an opportunity to strengthen and regularise this network.

Improving economy, efficiency and effectiveness

Partnership working

The Borough Plan sets out the objectives of partnerships, expected outcomes and deliverables. There is a formalised and rigorous oversight of the work undertaken by the Council in partnership with other bodies.

All the plans which make up the Borough Plan (e.g. Community Safety, Climate Strategy, Black Community Action Plan, Equality Strategy, Health & Wellbeing etc) are on a three-year cycle, all with annual delivery targets for both the Council and its partners. These plans are reviewed quarterly by the Council Management Team (officer level), Cabinet and Scrutiny Committees. Each plan has a lead provider (usually but not always the Council) and is overseen by its own Board.

A performance framework has been developed and implemented in 2021/22 to bring all the strategies together in one matrix. This will simplify reporting performance against plans and should be looked at as part of our 2021/22 VFM work.

The engagement with key stakeholders has increased over the pandemic (Brent Connects and other engagement activities became virtual, which resulted in increased participation). The number of partners with whom the Council works also increased as a result of the pandemic, with more third sector and voluntary organisations working in partnership with the Council. The Borough Plan makes partnership a key theme. However, how the Council works with its partners is not explicitly set out. We have identified this as an improvement recommendation.

Procurement

The Council has an extensive and detailed procurement strategy, updated in 2021 to incorporate the Council's Social Value and Ethical procurement strategy, which had been a separate policy. It is good these have now been aligned. This strategy is reviewed and updated annually and is subject to Scrutiny Committee and other Committee approvals.

There are detailed KPIs in this procurement strategy. These KPIs are aspirational, but there is little information as to where Brent is now. Also, there are few numerical objectives in the KPIs in the procurement strategy. Together, this might make it difficult for stakeholders to measure success against this plan. Consideration should be given to defining social value in the procurement strategy, to setting out the Council's current position (against which to benchmark targets) and to adding numerical (rather than just aspirational) targets in the plan. As at the time of writing, we understand there is an annual procurement report due to be reviewed by members in October 2021. This report will provide some additional details on the achievement of the ambitions set out in the procurement strategy. There are also opportunities to strengthen the monitoring of suppliers against the social values set out in the procurement strategy.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified some opportunities for improvement, set out overleaf.

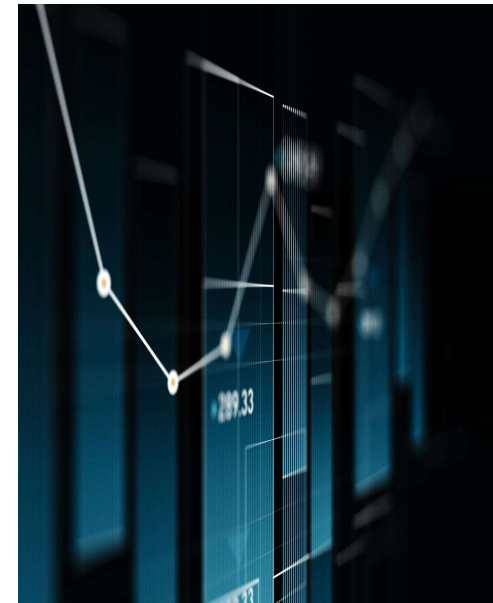


Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation	The Council should consider including an analysis which benchmarks its performance against that of other authorities, both in its internal financial management information and in its corporate performance scorecard.
Why/impact	There is a risk the Council's performance monitoring is not sufficiently stretching or ambitious. There does appear to be some benchmarking within the Council, but this is ad hoc and not consistent across the services.
Auditor judgement	Benchmarking could indicate areas for improvement not immediately identified. There is a risk these opportunities could be missed.
Summary findings	We found little consistent use of benchmarking as a tool across the Council's services and within the Borough-wide plan. Benchmarking is a useful tool and including more benchmarking within the Council's self-assessment tools could improve this work.
Management comment	As noted the council uses Benchmarking as an analysis tool when making decisions. Benchmarking is only used when a credible dataset is available so a like for like comparison can be assessed. Over the last decade it has become increasingly difficult to find appropriate datasets as authorities have diverged from a standard model of delivery. However, officers are continuously looking for new datasets to support their analysis.



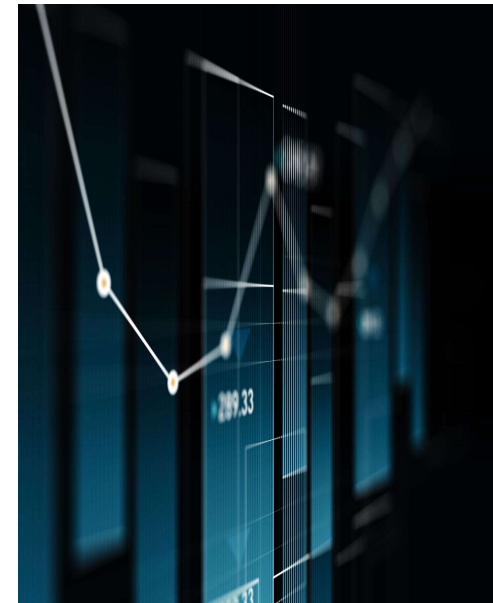
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation	Routine reporting of services provided by external contractors should be included in the information provided to and reviewed by those charged with governance.
Why/impact	Currently, the performance of contractors is reviewed at a service level only. Whilst this is essential in securing oversight of service provision, a 'business as usual' oversight of major contracts is not routinely undertaken at committee level.
Auditor judgement	As contract monitoring is undertaken entirely at a service level, there is a risk that issues are not identified by or escalated to those charged with governance at an early stage.
Summary findings	We found that routine monitoring of contracts, whilst undertaken at a service level, is not reported to those charged with governance on a 'business as usual' basis.
Management comment	Summary performance metrics can be agreed for specific major contracts that a Committee would like updates on with the Directorates and included in the Annual Procurement Strategy Report.



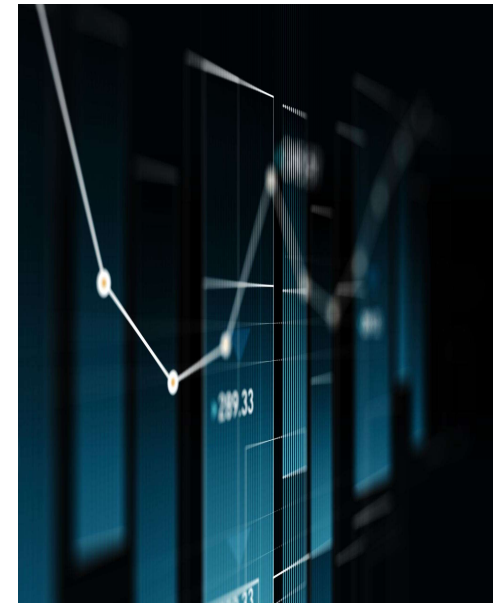
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation	All those charged with the management and monitoring of contracts within their service should meet at least annually for refresher training. This should include establishing and monitoring KPIs for service performance, as well as dispute resolution and escalation.
Why/impact	This would provide an opportunity to knowledge share and to share best practices. This should also ensure contract managers are provided with an opportunity to consider whether their contract monitoring could be improved.
Auditor judgement	It is not clear whether there is a consistency in contract monitoring and management across the services. There is a risk that examples of weak contract management are not identified and acted upon.
Summary findings	More use could be made of the commissioners network to identify, gather and disseminate best practice across the authority. Officers charged with contract monitoring and management tend to operate within the silo of their directorate. Networking and knowledge sharing could be improved.
Management comment	Annual training and refresher sessions are offered as part of the Commissioning Network.



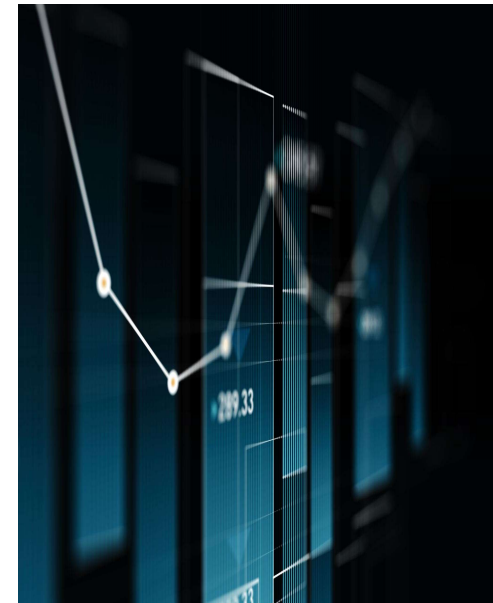
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Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation	The Borough Plan is very high level with lots of strategic aims and goals, but it isn't very specific. It doesn't say <u>how</u> the Borough plans to achieve those goals. Consideration should be given to referring to the action plans in place in achieve these aims and objectives.
Why/impact	We are aware there are delivery plans which aim to set this out, and the Corporate Performance Scorecard also considers some of the actions taken to meet the aims of the Borough Plan, but this is not immediately accessible from reading the text of the Borough Plan. Consideration should be given to referring to the action plans in place in achieve these aims and objectives to enable a resident to understand what actions the Council is taking to achieve these objectives.
Auditor judgement	It is not clear from reading the Borough Plan in isolation what needs to change and how it needs to change to meet the objectives of the Borough Plan.
Summary findings	Any action plan(s) on which the Authority is embarking in order to meet the aims of the Borough Plan are is not clear from a read through of the Borough Plan. Adding some context setting out how these aims and objectives are to be achieved would help a reader to understand the route to achieving meaningful change.
Management comment	We are happy to take the recommendations on board and make these points clearer. We are about to do a full refresh for the next 3 year's delivery plan – starting with all staff sessions in October to review the Borough Plan. We will ensure there is a clear delivery plan.



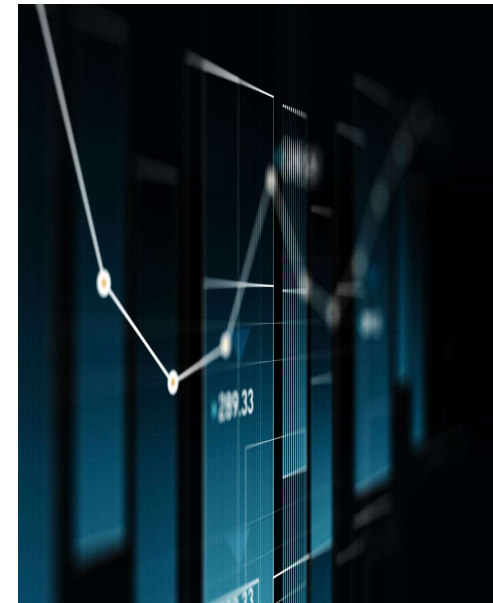
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation	Working with partners is a key theme throughout the Borough Plan. However, the plan is not explicit in setting out how it works with partners. Nor is it clear in the Corporate performance Scorecard which of the KPIs are being delivered by partners.
Why/impact	It might not be clear to residents on reading the Borough Plan what work the Council is doing with partners. Whilst there may be more detail in the delivery plans, more explicit references to the partners with whom the Council works might give the Borough Plan more of a context for residents.
Auditor judgement	Transparency could be improved if the work being undertaken by partners is set out explicitly in the Borough Plan.
Summary findings	It is not immediately apparent what work is being done by partners (either alone or supported by the Council) and what work is being done by the Council in meeting the aims and objectives of the Borough Plan.
Management comment	We are happy to take the recommendations on board and make these points clearer. We will be explicit about partner delivery and ensure there performance is recorded.



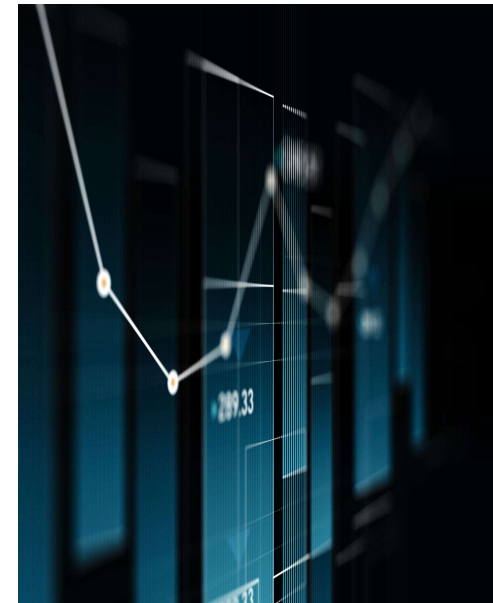
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation	Consideration should be given to defining social value in the procurement strategy, to setting out the Council's current position (against which to benchmark targets) and to adding numerical (rather than just aspirational) targets in the plan.
Why/impact	The current reporting of performance does not enable stakeholders to assess the current performance of the authority against which the targets set.
Auditor judgement	It would be more transparent if the Council sets out its current position. Targets could then be assessed against the current position, and it would be clearer to a reader what needs to change for the Council to meet its social value goals.
Summary findings	The procurement strategy, which partly incorporates and refers to the Council's Social Value and Ethical procurement Strategy does not set out the Council's current position as a baseline against which to measure and assess the Council's actions and targets.
Management comment	There is a separate Social Value and Ethical policy which clearly sets out how we can support Council priorities through the delivery of Social Value. Clear outcomes/ KPI's are set out with a financial commitment set out against each priority that would be payable to the Council if not delivered. All Social Value over £100k has a weighting applied of 10% showing the importance the council place on this aspect.



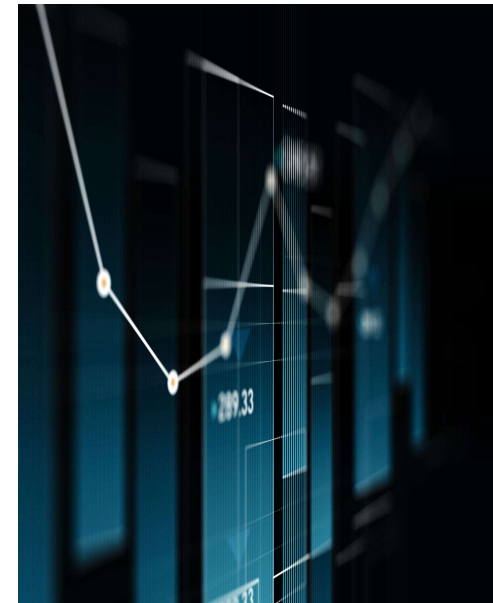
The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation	Whilst we understand the social values in the Council's procurement Policy have been communicated to its suppliers, it is not clear that mechanisms exist to measure whether these values are being met. The Council should consider the development of a mechanism to measure whether and how suppliers are meeting these goals.
Why/impact	We understand penalties are in place for non-compliance, but there is a risk that without formal measurement mechanisms in place, the Council's social value aspirations might not be met. This is linked to the above recommendation to define social value more clearly (where possible).
Auditor judgement	It would be helpful to suppliers if measurement mechanisms are explicitly set out in the procurement strategy (or in the social value and ethical procurement strategy referred to within and so captured as part of the procurement strategy). This would enable potential bidders to understand the Council's expectations in terms of social value.
Summary findings	The procurement policy and the social value and ethical procurement policy both set out the Council's aims and objectives, but are not explicit as to what suppliers need to do to meet the Council's criteria for social value.
Management comment	The Council have set up mechanisms of the Social Value committed to through our procurements. Using this capture template will now allow us to conduct follow up reviews at appropriate times with contract managers to determine progress.



The range of recommendations that external auditors can make is explained in Appendix B.

COVID-19 arrangements

Page 190



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered. We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of housing rents, Council Tax and Business Rates, and expenditure which has seen additional pressures, most notably on adult social care.

The COVID-19 related overspend by the Council was £42m comprising of £29.1m of additional expenditure and £12.9m of income losses to services.

This overspend has been offset by emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG) and corresponding COVID-19 related underspends in the General Fund.

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny. The MTFS was reviewed and updated during the year, and detailed quarterly reporting against the budget to cabinet was maintained throughout the year.

£13.2m of the remaining £13.3m of COVID-19 funding (combination of ring-fenced and non-ringfenced) received has been transferred to reserves to address any unbudgeted additional costs of COVID-19 in 2021/22 and £0.1m as deferred income.

Despite this 'cushion', the Council expects these financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22, with savings and efficiencies built in, the Council will undoubtedly need to maintain its high level of monitoring and scrutiny over its finances in order to achieve this budget.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online.

All committees, but especially Cabinet and the Community & Wellbeing Scrutiny Committees have maintained a keen interest in the Council's response to the pandemic.

Internal audit have acted in an advisory capacity throughout, where processes and systems have had to adapt to changed circumstances. Internal audit also demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews required as a result of changed circumstances.

Despite this, internal audit still completed 32 audits in the year and a further 29 follow up audits. Additional, unplanned audits were carried out, notably on COVID grant payments. There has been a solid acceptance and implementation of prior year internal audit recommendations based on the follow up reviews carried out (see table below). Internal audit did not identify any serious weaknesses in internal controls over the course of the year.

Action Status	Number
Implemented	167
Partially Implemented	44
Not Implemented	9
No Longer Relevant	4

COVID-19 arrangements

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

Improving economy, efficiency and effectiveness

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

The Council has maintained its quarterly reporting of performance against the targets in the Borough Plan throughout the year. In addition, a purple category has been added to the RAG ratings on the Corporate performance Scorecard to highlight key performance indicators where the rating has declined or fallen short of target, but this has been primarily as a result of COVID.

This is good, and has enabled those charged with governance to understand which of the Council's activities have been most impacted and the extent of this impact.

Partnership working is a key theme of the Borough plan, and work with community partners increased during the pandemic. This is set out in the reporting to those charged with governance. During COVID the Council implemented a steering group to provide intelligence and oversight on the work of partners, to provide the Council with a cross-theme understanding of the lived experience of residents and the work of and with partners during that time.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the COVID-19 pandemic.



Opinion on the financial statements



Audit opinion on the financial statements

We have substantially completed our audit of the Council's financial statements and plan to issue an unqualified audit opinion following the Audit & Standards Committee meeting on 22 September, in line with the national deadline of 30 September 2021.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit & Standards Committee on 22 September 2021.

Issues arising from the accounts

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed in the 20/21 Audit Findings Report, Appendix C.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and on the whole the supporting working papers continue to be of a good standard.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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

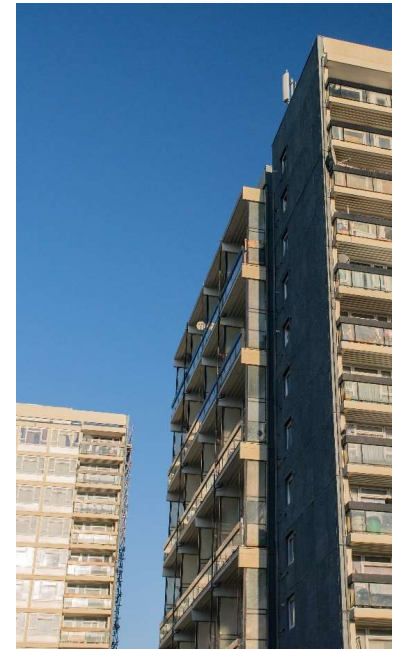
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	FS Governance 3Es p. 10 p. 13-18 p. 21-27



A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA

Topic / Date	11-May-21	26-Jul-21	22-Sep-21	07-Dec-21	31-Jan-22	15-Mar-22
Internal Audit & Investigations						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Review Internal Audit Charter				X		
Internal Audit and Counter Fraud Progress Reports			X		X	
Draft Internal Audit and Investigations Annual Plan				X		X
External Audit						
External Audit progress report		X	X	X	X	X
External Audit plan	X					X
Statement of Accounts & External Auditor's Report			X			
Annual Auditor's Report			X			
Financial Reporting						
Treasury Management Mid-term Report				X		
Treasury Management Strategy					X	
Statement of Accounts		X	X*			
Treasury Management Outturn Report	X					
CIFPA Financial Management Code & Assessment		X		X		
Governance						
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X		X	
Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal				X*		
Review of the use of RIPA Powers	X					X
Planning Code of Practice Review				X		
Receive and agree the Annual Governance Statement		X*				
Risk Management						
Strategic Risk Register Update		X			X	
Emergency Preparedness		X				
Audit Committee Effectiveness						
Review the Committee's Forward Plan	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)						
Training Requirements for Audit Committee Members as required						
Standards Matters						
Standards Report (including gifts & hospitality)		X	X	X	X	X
Annual Standards Report	X					X
Complaints & Code of Conduct			X			
Review of the Member Development Programme and Members' Expenses						X

* Requires approval by Audit & Standards Committee

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