



## Audit and Standards Advisory Committee

**Tuesday 26 September 2023 at 6.00 pm**

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

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

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

### Membership:

#### Members

David Ewart (Chair)

#### Substitute Members

#### Councillors:

Chan (Vice-Chair)  
S Butt  
Choudry  
Kabir  
Long  
J.Patel  
Smith

#### Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah  
  
Councillors:  
Kansagra and Mistry

#### Independent Co-Opted Members

Stephen Ross and Rhys Jarvis (the appointment of Rhys Jarvis was approved at Full Council on 18 September 2023).

#### Independent Advisor

Vineeta Manchanda

**For further information contact:** Natalie Connor, Governance Officer  
Tel: 020 8937 1506; Email: [Natalie.Connor@brent.gov.uk](mailto:Natalie.Connor@brent.gov.uk)

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit: [www.brent.gov.uk/democracy](http://www.brent.gov.uk/democracy)



### **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 a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

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

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

# Agenda

Introductions, if appropriate.

Item	Page
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of Interest</b>	
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.	
<b>3 Deputations (if any)</b>	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
<b>4 Minutes of the previous meeting</b>	1 - 14
To approve the minutes of the previous meeting held on Tuesday 18 July 2023 as a correct record and note the action log arising from previous meetings.	
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting.	
<b>Standards Items</b>	
<b>6 Standards Report (including Gifts &amp; Hospitality)</b>	15 - 22
The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, member training and a recent case highlighting action taken as a result of non-compliance with s85 Local Government Act.	
<b>Governance</b>	
<b>7 To review performance &amp; management of i4B Holdings Ltd and First Wave Housing Ltd</b>	23 - 56
<b>7.1 First Wave Housing Ltd</b>	23 - 36

### 7.1.1 Report from Chair of First Wave Housing Ltd

This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on the work of First Wave Housing Ltd (FWH; the company) to deliver against its business plan for 2023-24 which was agreed with the Council as Guarantor

### 7.2 I4B Holdings Ltd

37- 56

#### 7.2.1 Report from Chair of i4B Holdings Ltd

This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on the work of i4B Holdings Ltd (i4B; the company) to deliver against its business plan for 2023-24 which was agreed with the Council as Shareholder

## 8 Strategic Risk Register

57 - 96

This report provides the Committee with an update on the Council's Strategic Risks as of September 2023. The update has been prepared in consultation with risk leads and the Council Management Team and summarises the risks that are considered to be of an impact and/or likelihood of materialising, and which may have an adverse effect on the achievement of the Council's corporate objectives. The report also presents the Committee with a new Risk Management Strategy. The strategy seeks to outline the Council's approach to risk management to support a robust and consistent process for managing risk and opportunities.

## Audit & Finance Items

### 9 Statement of Accounts & Pension Fund Accounts/Audit Findings Report

97 - 220

To provide an update on the progress of the Statement of Accounts and to review the Audit Findings Report for 2022/23.

### 10 External Audit Progress Report and Sector Update

Verbal Update

To receive a verbal update on progress on delivering Grant Thornton's responsibilities as the Council's external auditors along with a summary of any emerging national issues and developments that may be relevant to Brent as a local authority.

### 11 Forward Plan and Agenda for the next meeting

221 - 222

To review and note any amendments to the Committee's work

programme.

## 12 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: Thursday 12 October 2023**



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



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre on Tuesday 18 July 2023 at**  
**6.00 pm**

**PRESENT:** Councillor David Ewart (Chair), Councillor Chan (Vice-Chair) and Councillors S. Butt, Choudry, Kabir, Long, J Patel, and Smith.

**Independent Advisor:** Vineeta Manchanda.

Also present: Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform), Julie Byrom (Independent Person – attended online) and Stephen Ross (Independent Co-opted Member – attended online).

1. **Apologies for absence and clarification of alternate members**

Apologies were received from Rachael Tiffen (Independent co-opted Member).

The Chair welcomed Stephen Ross, as a newly appointed Independent Co-opted Member to his first meeting of the Committee.

2. **Declarations of Interest**

David Ewart (Chair) declared a personal interest as a member of CIPFA.

3. **Deputations (if any)**

None received.

4. **Minutes of the previous meeting**

**RESOLVED** that the minutes of the previous meeting held on Tuesday 6 June 2023 be approved as a correct record.

Members noted the updates provided in relation to items listed on the Action Log.

5. **Matters arising (if any)**

None.

6. **Draft Statement of Accounts 2022/23**

Ahead of the report being presented to the Committee, the Chair clarified that as the accounts were currently in the draft stage and therefore not in a position to receive final approval, there was no requirement for the Audit & Standards Committee to meet following the Audit & Standards Advisory Committee.

Ben Ainsworth, Head of Finance was then invited to introduce a report that provided the Committee with an update on the Council's draft 2022/23 Statement of Accounts.

In considering the report the Committee noted the following key points:

- The Accounting Statements (page 45-49 of the Committee report) set out the Council's income and expenditure for the year as well as its financial position at 31 March 2023 in compliance with the requirements of the CIPFA Code of Practice on Local Authority Accounting.
- The Accounting Statements detailed a significant uplift in the Council's total reserve funding (£650m) as detailed within the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRs). Further details were also provided in distinguishing between usable and unusable reserve funds.
- The Pensions Fund had seen an increase of £500m, this was reflective of the national picture of increased interest rates. If the trend were to continue the Council's pension contributions as an employer could reduce.
- The Committee's attention was drawn to the Movement in Reserves Statement table (page 46 of the Committee report) that detailed an increase in Capital Grants and a decrease in the Earmarked General Fund Reserves. This decrease resulted from planned projects put in place to support post covid recovery with funds that had been released for these purposes reflected in the reduced General Fund Reserves.
- The Committee noted that the Pension Fund accounts had been positively received by the Pension Fund Sub Committee.

In response to the update provided the Committee highlighted comments on a number of issues with the following responses provided:

- In response to a Committee query in relation to the sufficiency of the General Fund Reserves, Minesh Patel, Corporate Director of Finance and Resources advised that that in general terms reserves were on a downward trajectory, however Brent were in a positive position whereby there was no reliance in using reserve funding. It was recognised that a generous reserve fund was favourable, and it was felt that the amount held (5% of the General Fund Balance) for unrestricted reserves was sufficient for the next financial year. However, it was noted that given the financial pressures arising through the cost-of-living crisis, inflation and demand for services, the situation would be closely monitored and if necessary, further consideration would be given to how the Council could increase its reserve funds.
- The Committee recognised the difficulties in increasing reserve funding as it was likely to only be achieved through accruing an in-year surplus within the Council.
- Following a Committee query in relation to the accessibility of the funds held in reserves, the Committee were advised of the process available to access funding, however once allocated the challenges in being able to replenish the funds were also identified.
- In response to a query in relation to the funding sources used to support capital projects, Amanda Healy, Head of Finance, Capital Programme and Treasury, advised that most capital projects were housing schemes where



- there would be a contract in place based on viability assessments that would be funded by an element of borrowing. Schemes for affordable housing would also be supported by GLA grants and Section 106 or Community Infrastructure Levy funding could also be used (subject to meeting the necessary criteria) to support the borough's Capital commitments.
- Following a Committee query in relation to the re-evaluation of Council dwellings, the Committee was advised that this was driven by the increase in housing prices in the borough that in turn drove the valuations of Council dwellings, construction costs had also increased and were reflected in the balance sheet.
  - The Committee required further information on how the Dedicated Schools Grant (DSG) would be settled if it remained in deficit. Minesh Patel, Corporate Director of Finance and Resources advised that any deficit that remained after the period of statutory override that was in place until 2026/27 may have to be settled from the General Fund. Plans were actively in place to continue to reduce the deficit, however the Council were awaiting future guidance from central government in relation to the final terms of repayment of the DSG.

In closing the discussion on the item, the Chair drew the Committee's attention to an area of the report that provided information in relation to school's deficits and falling school balances and advised that any further detailed questions should be emailed to the Deputy Director of Finance, with a full response to be provided at the next Committee meeting.

The Chair thanked the Finance Team on behalf of the Committee for their continued efforts in finalising the draft accounts ahead of their submission to the external auditors and for what the Committee felt was a particularly useful narrative section to the report. As no further issues were raised the Committee **RESOLVED** to note the draft Statement of Accounts for 2022/23 submitted to the external auditors.

## 7. **Treasury Management Outturn Report**

Amanda Healy, Head of Finance, introduced a report that updated members on Treasury Management activity and provided confirmation that the Council had complied with its Prudential Indicators for 2022/23.

Key issues highlighted were as follows:

- The Council's Treasury Management activity was compliant with the CIPFA Code which required authorities to produce annual Prudential Indicators and a Treasury Management Strategy Statement.
- The economic background in relation to the current outturn position continued to be impacted by global inflation as a result of the war in Ukraine, along with the UK's current economic outlook and increase in interest rates.
- In terms of borrowing, at 31<sup>st</sup> March 2023, the Council held £781.0m of loans to finance the Council's capital programme strategy to support new homes and regeneration. Borrowing options continued to be carefully assessed to ensure the Council could achieve the lowest cost funding options to support the commitment to the capital programme.

- There were concerns that the future of borrowing for the capital programme could become more challenging as borrowing rates had already significantly increased since last year. In respect of the economic environment and rising construction costs, capital programme projects continued to be assessed. If any issues concerning viability were identified, they would be brought to Cabinet.
- In relation to investment activity, the Council's investment balances ranged between £72m and £159m due to timing difference between income and expenditure as detailed in Table 4 of the report.
- In noting the prudential requirements within the CIPFA Code, the Council's objective in terms of investment had remained to strike an appropriate balance between risk and return in order to minimise the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- The Council's non-Treasury Investments were to the Council's subsidiary companies i4B Holdings Limited, whose primary purpose was to deliver the housing options as defined in the Temporary Accommodation reform plan and First Wave Housing that was set up to manage properties previously owned by Brent Housing Partnership. The collective investments had generated £5.9m of income that covered the borrowing costs of investing in housing through wholly owned subsidiaries.
- The Committee's attention was drawn to Appendix 2 of the report that set out the Council's full prudential indicators for 2022/23.

The Chair then invited the Committee to raise questions on the report, with the responses summarised as follows:

- The Committee queried if the Council undertaken any borrowing for capital projects that had subsequently not proceeded. Officers confirmed that the Council did not borrow for specific projects as borrowing was obtained for the overall borrowing needs of the Council, as such there was no funding that had not been utilised effectively.
- Officer confirmed that the borrowing reported was for the contracts in 2022/23, there had been no new borrowing for 2023/24 as yet.
- In response to further details sought on the Council's borrowing, the Committee's attention was drawn to the Liability Benchmark chart in Appendix 2 that demonstrated the Council's borrowing need against the Council's existing cash resources. This highlighted that the Council's cash resources were utilised first before additional external borrowing was sought.
- In relation to future capital programme schemes the Committee was advised that due to the volatility in interest rates and inflation, when viability assessments were completed for new schemes, there was a margin for volatility added to the assessment to ensure that any schemes put forward were viable and could withstand the current and potential future market hostility.
- The Committee noted the concerns highlighted in relation to Central Governments approach towards reform of the funding settlement for local government and need for additional support to assist in meeting requirements such as the delivery of affordable housing to residents.
- In response to a query regarding the Council's options to refinance borrowing where it emerged that more favourable rates could be achieved, officers confirmed that all borrowing was closely monitored and reviewed with support

- of the Council's Treasury advisor Arlingclose who frequently assessed the economic forecasts to secure the most favourable rates.
- Following a Committee request in relation to the Council's estimated interest costs for 2023/24, officers advised that this information would be circulated to the Committee as an action going forward.

The Chair thanked officers for the detailed report and as there were no further issues raised the Committee **RESOLVED** to:

- (1) Note the 2022/23 Treasury Management Outturn Report and the Minimum Revenue Provision (MRP) Strategies set out in Appendix 4-6 in compliance with CIPFAs Code of Practice on Treasury Management, which was also due to be referred onto Cabinet and Council for consideration.
- (2) Note that for 2022/23 the Council had complied with its Prudential Indicators which were approved by Full Council on 24 February 2022 as part of the Council's Treasury Management Strategy Statement and Capital Strategy Statement.

## 8. **External Audit Progress Report and External Audit Plan**

The Chair welcomed Ciaran McLaughlin, Key Audit Partner, Grant Thornton, who attended online to update the Committee on the External Audit Progress Report and Audit Plan that set out the scope of work being undertaken until the end of March 2023.

The following key points were highlighted as follows:

- Recognition was given to the fact that despite the challenging economic environment the Council continued to perform well in delivering effective services and maintaining finances.
- The 2022/23 audit was expected to be completed by October 2023; it was noted that Brent had fared well against other boroughs in the timely completion of their audits.
- Key risks reviewed in the current audit were identified as standard in nature and not representing anything more significant.
- The valuation of land and building, council dwellings and the final valuation of pension fund liability were identified as significant risk areas due to their complex nature, not as a result of anything specific to the Council's management of these areas.
- The Committee's attention was drawn to page 15 of the report that addressed risk in relation to the Council's subsidiary companies, this included setting out the progress made following previous recommendations, these would be commented on in further detail in the next Audit Findings report.
- The Committee were informed that materiality was determined by using 1.5% of the Council's gross expenditure as detailed on page 23 of the Committee report. There were no major changes in materiality to report.
- The Value for Money aspect was assessed over three standard areas, Governance, Financial Sustainability and Improving Economy, Efficiency and Effectiveness as outlined in the report. There were no significant weaknesses identified at this point in the review.

The Chair thanked Ciaran McLaughlin for the update provided and for clearly highlighting the changes in the report. Given the timeframe of the estimated Audit completion and the Committee's next meeting, the Chair recommended that the Committee may wish to seek an additional meeting date in October 2023 to allow the Audit & Standards Advisory Committee to consider and Audit & Standards Committee to formally approve the final Statement of Accounts, this was to be taken as a forward action.

The Chair then invited Sheena Phillips, Senior Manager, Grant Thornton to update the Committee on the Pension Fund Audit Plan.

The following key points were highlighted:

- The Pension Fund had seen a small decrease of £13.5m in the net assets available for benefits during the 22/23 financial year, investment income had remained the same at £1.1m and the total contributions had increased to £67.5m.
- The significant risks identified in the report were identified as standard to be included in local authority audits and included management override of controls, Valuation of Level 3 investment and the implementation of the new Pensions Administration System.
- Level 3 investments invited particularly enhanced auditing due to the high values and estimations involved.
- The Local Government Pension Scheme triennial valuation as required by Regulation 62 of the Local Government Pensions Scheme (LGPS) was identified as a lesser risk and was featured due to the varied assessments required as part of the valuation.
- The progress against recommendations made following the 2021/22 Pensions Fund Audit would be fully addressed in the next Audit Findings report, due to be presented to the Committee at the next meeting.
- In line with the main audit, the materiality of the Pension Fund was determined by 1.5% of the prior year's gross asset value, with specific materiality being set aside for transactions within the fund other than those related to investment activities.
- It was anticipated that the Pension Fund Audit would complete by the end of August 2023.

The Chair thanked Sheena Phillips for the report and invited the Committee to ask Ciaran and Sheena any questions or clarifying points they had in relation to the Audit Plan and Pension Fund Audit Plan. In response to Committee questions, the following responses were provided:

**(a) Responses in relation to the Audit Plan:**

- The Committee queried how the climate emergency could impact on Brent's physical assets and how this may subsequently affect auditors' valuations. In response the Committee was advised that when auditors examined the Council's valuations, they were also subject to further review by an expert team who factored in variances that may come in to play due to the impact of climate change, therefore auditors could be satisfied that by the end of the

- valuations process a breadth of eventualities had been considered and the valuations reached were as accurate as possible.
- Following a Committee query in relation to whether the themes identified as risks in Brent Council's audit were similar to other local authorities the Committee was advised that the risks identified were not unique to Brent and were standard in detail. It was confirmed that there was nothing unusual about the significant risks identified in Brent Council's audit.
  - The Committee shared that they were keen to maintain their position in the top 25% of Local Authorities who had their audits completed on time, as such the Committee queried if the external auditors could foresee any issues in the timely completion of the 2022/23 audit. The Committee was advised that communication between Brent officers and the auditors was positive, the effective collaborative working coupled with Grant Thornton's increased capacity, provided assurance that there should be no significant delays to the completion of the audit and as such it was anticipated that the audit would be completed in the timeframe set out in the report for a completion date between the end of September – early October 2023.
  - The Committee was advised that points relating to recommendations made on the previous Audit Findings Reports would be addressed in full at the next Committee meeting.

**(b) Responses in relation to the Pension Fund Audit Plan:**

- Following a Committee query in relation to whether the Pension Fund Audit would be subject to an enhanced "hot review" that could delay its completion date, the Committee was advised that the Pension Fund would be subject to a hot review, however it was not expected to delay the conclusion of the audit and had been factored in to the anticipated completion date of August 2023.
- The Committee queried why the change in the pensions administration system to Civica had been identified as a significant risk, as it was felt that this was a standard procedure for local authorities to undertake. In response the Committee was advised that the change in systems had been recognised as a significant risk due to the volume and sensitivity of the data being migrated, it was essential to accurately check that the data had been transitioned accurately and completely. Ravinder Jassar, Deputy Director of Finance highlighted that the Pensions Sub Committee were aware of the change in administration platforms and although recognising the reasons identified, it was felt the migration had been completed successfully and presented a low risk.
- Given the ambiguity around the accuracy of Level 3 Investments the Committee required clarity on the extent at which auditors would accept managers valuations of Level 3 investments. In response the Committee was advised that Level 3 investments would be subject to robust scrutiny and required evidence to support the valuations.

With no further issues raised and the confirmation that the Committee were happy to accept the risks identified, the Chair re-iterated his thanks on behalf of the Committee for the work of the external auditors and the Committee **RESOLVED** to note the updates provided.

**9. Forward Plan and Agenda for the next meeting**

It was **RESOLVED** to note the Committee's Forward Plan.

10. **Any other urgent business**

None.

The next meeting was scheduled for Tuesday 26 September 2023

The meeting closed at 7:26pm

David Ewart  
Chair

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Meeting Date	Agenda No.	Item	Actions	Lead Officer and Timescale	Progress
18 July 2023	6	Statement of Accounts 2022/23	Any further Committee questions that required a detailed response should be sent to the Deputy Director of Finance and would be brought back to the next Committee to feedback in full.	Ravinder Jassar  26 September 2023	In progress.  Feedback to be provided at the next Committee meeting on 26 September 2023.
	7	Treasury Management Outturn Report	Amanda Healy, Head of Finance to circulate to Members the Council's estimated interest costs for 23/24.	Amanda Healy  26 September 2023	Completed  The information requested was circulated to the Committee.
	9	Forward Plan & Agenda for the next meeting	Dependant on the completion of Grant Thornton's Audit, an additional diary date would need to be agreed with the Committee in the event that an additional meeting is needed in October 23 to enable the Audit & Standards Advisory Committee to delegate authority to the Chair of the Audit & Standards Committee to approve the Statement of Accounts.	Committee  As soon as possible.	Completed  The Committee confirmed a mutually agreeable date in October, if required.  To be removed from the next action log.
6 June 2023	11	Internal Audit Annual Report 2022-23	Darren Armstrong & Minesh Patel to liaise with IT Shared Service in order to assess the potential requirements to undertake a further review of any risks posed to cyber security as a result of the recent advancements in Artificial Intelligence	Darren Armstrong/Minesh Patel.	Completed  Update received from Fabio Negro, Managing Director,

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				26 September 2023	<p>Shared Technology Services confirmed that AI use externally did not propose any additional threats to the cyber security of the council.</p> <p>There was an AI pilot underway to understand the risks associated with AI and the governance framework that Shared Services Technology can implement in order to mitigate those risks.</p> <p>The pilot involved organisations such as London Office of Technology, Centre of Data Ethics and Innovation and Alan Turing Institute who were leading the way for use of AI within local government context.</p>
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					Any threats would be reflected in the Strategic Risk Register.  To be removed from the next action log.
	12	Annual Counter Fraud Report 2022-23	Darren Armstrong, Head of Audit to liaise with the Parking team in order to feedback members views regarding the need to lobby for changes in relation to practical operation of the Blue Badge scheme given concerns raised in relation to the misuse of the badges and fraud. This to include the potential inclusion of the borough as part of any virtual blue badge schemes being piloted.	Darren Armstrong  18 July 2023	Completed  The Committee was updated that the Audit team had provided feedback to Parking Services with several recommended actions.  To be removed from the next action Log.
21 Mar 2023	4	Minutes of the previous meeting and Action Log	The Committee were advised that following a previous Committee request for an update on the Financial Inclusion Dashboard Councillor Chan (Vice Chair) and Councillor Choudry would be meeting with the Deputy Leader to discuss the development of the Financial Inclusion Dashboard and would provide an update to the Committee in June 2023.	Councillor Chan/Councillor Choudry by June 2023	Completed  Councillor Chan advised the Committee that both he and Councillor M Patel and Councillor Choudry had met with officers to discuss the Financial

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					<p>Inclusion Dashboard. Issues identified with accessibility via an ipad were being resolved, and a Members briefing was due to take place at the end of July 2023.</p> <p>To be removed from the next action log.</p>
	11	LB Brent Audit Findings Reports 2021/22	Grant Thornton to ensure that any amendments or changes recommended in the Audit Findings report (from previous versions provided) should be clearly detailed e.g. colour coded.	Ciaran Mclaughlin/Sheena Phillips	Ongoing
	16	External Audit Progress Report and Sector Update	Grant Thornton to provide an audit scope plan and timetable for the 22-23 Statement of Accounts and Pension Fund audit as soon as possible.	Ciaran Mclaughlin/Sheen Phillips	<p>In progress</p> <p>A further update would be provided at the next Committee meeting on 26 September 2023.</p>
		Review the Committee's Forward Plan	Future planning to consider the management of agenda items to allow Members to focus on providing an appropriate level of challenge on the substantive items (Minesh Patel, Darren Armstrong, Debra Norman, Chair & Vice-Chair)	Minesh Patel/Debra Norman/Darren Armstrong/David Ewart (Chair) and Councillor Chan (Vice Chair)	In progress

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7 Feb 2023	11	Auditor's Annual Report on the London Borough of Brent	The Committee accepted the External Auditor's recommendation to ensure timely implementation of the CIPFA Financial Management code requirements and would receive regular updates.	Minesh Patel	Ongoing
	12	Strategic Risk Register Update	Further details to be sought from the Managing Director of Shared Services on the guidance available regarding cyber security.  The Committee requested that an additional visual chart to show the comparative trends in strategic risks over time is provided in the next Strategic Risk Register to support the Committee in understanding the risks over a longer time period.	Minesh Patel/Fabio Negro  Darren Armstrong	In progress  An updated Strategic Risk Register that addresses the agreed actions will be brought to the next Committee meeting on 26 September 2023.
7 Dec 2022	8.1	i4B Holdings Performance Update	To maintain review of i4B Risk Register in relation to impact of wider economic context on viability of company acquisition strategy.	The Audit & Standards Advisory Committee	Ongoing
29 Sep 2022	5.	Matters Arising	As more data sets became available there would be an Outcome Based Review which would be a Council wide programme. It was suggested that an update was provided on this at a future meeting.	Sadie East/Peter Gadsdon	Ongoing

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	<p align="center"><b>Audit and Standards Advisory Committee</b> 26<sup>th</sup> September 2023</p>
	<p align="center"><b>Report from the Corporate Director of Governance</b></p>
	<p align="center"><b>Lead Cabinet Member</b> N/A</p>
<p><b>Standards Report (including quarter two update on gifts and hospitality)</b></p>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Not applicable
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Two: Appendix A - Gifts & Hospitality Register (Qtr. 2) Appendix B - Outstanding member training
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Debra Norman, Corporate Director Governance <a href="mailto:Debra.Norman@brent.gov.uk">Debra.Norman@brent.gov.uk</a> 0208 937 1578  Biancia Robinson, Senior Constitutional & Governance Lawyer <a href="mailto:Biancia.Robinson@brent.gov.uk">Biancia.Robinson@brent.gov.uk</a> 0208 937 1544

## 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, member training and a recent case highlighting action taken as a result of non-compliance with s85 Local Government Act.

## 2.0 Recommendations

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 For the second quarter of 2023/24 there have been fourteen gifts and hospitality recorded as being received, these are set out in further detail in Appendix A, together with the details of the receiving Councillor.
- 3.4 The Committee will recall that hospitality accepted by the Mayor in their civic role are recorded separately and published on the Council's website.

#### Independent/Co-opted members

- 3.5 The Committee will recall that following the recruitment process for the Independent Co – opted Members (Standards focused) Full Council approved the appointment of Rachael Tiffen on the 17.05.23.
- 3.6 A further recruitment exercise took place to fill the second Independent Co-opted Members vacant post. Two candidates were appointable. On the 10.07.23, Full Council's was asked to agree the appointment of Stephen Ross as an Independent co-opted member of the Audit & Standards Advisory Committee for a four-year term of office filling the second vacancy.
- 3.7 Unfortunately, in early August, Rachel Tiffen stood down from this role. The second candidate, Rhys Jarvis, was invited and accepted the provisional offer which was subject to Full Council's approval on 18.09 23.

#### Member Training Attendance

- 3.8 At this Committee's request reports updating it on the attendance records for Member's in relation to mandatory training sessions has become a standard reporting item.
- 3.9 All members have now completed their core mandatory (refresher) training with the exception of Data Protection & Information Security. A re-run of this virtual session has been set for 05.10.23, and the 14 members who are yet to complete it have all been invited. A list of the 14 said Councillors is attached as Appendix B.
- 3.10 The Committee will know that:
  - a) It is a requirement of the Members' Code of Conduct that all members' "*must attend mandatory training sessions on this Code or Members' standards in general, and in accordance with the Planning Code of Practice and Licensing Code of Practice*".

- b) The schedule for all mandatory sessions is ordinarily published and approved in the Council calendar at the May Annual Council meeting.
- c) All internal training sessions attended by Members are published on the Council's Website and on individual Member profile pages.
- d) For face-to-face training sessions, reminders are sent via email, calendar invitations, and text messages and, on some occasions, direct telephone calls to Members. The same reminder process is employed for re-run(s) of sessions, where applicable, to take account of personal circumstances like work commitments and childcare arrangements etc.
- e) During 2023 the Committee will receive regular updates on Members who have not completed the mandatory training sessions.

#### s85 Local Government Act

- 3.11 A recent case involving Hull City Council recalling a disabled councillor under the Local Government Act 1972 has come under the spotlight; and acts as a reminder for members to maintain high standards with respect to attendance at meetings.
- 3.12 The Cllr, whilst active in her ward, failed to attend any council meetings for six months. As a result of her absence, the council said her seat has become vacant by virtue of Section 85 of the Local Government Act 1972, which provides that if a member of the local authority fails throughout a period of six consecutive months from the date of their last attendance to attend any meeting of the authority, they shall, unless the failure was due to some reason approved by the authority before the expiry of that period, cease to be a member of the authority.
- 3.13 Generally most local authorities forewarn Councillors "if they were at risk of this rule impacting them". Hull City Council did not do this, "instead only contacting Sarah to inform her of her disqualification."
- 3.14 This case acts as a reminder for Councillor's to comply with their obligation to attend council meetings and seek any extension from Full Council in advance. With respect to the London Borough of Brent attendance is very good. It is closely managed by the Executive & Member Services and Councillors are informed in advance if they risk contravening the s85 Rule, to date no members have.

#### **4.0 Financial Considerations**

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

#### **5.0 Legal Considerations**

- 5.1 Pursuant to the Localism Act 2011, the Council has to have arrangements in place to deal with any allegations of failure to comply with the code of conduct and must appoint an Independent Person whose views are sought and taken into account by the council before it makes its decision on an allegation that it has decided to investigate.
- 5.2 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 Additional Considerations**

6.1 There are no

- a) Equality, Diversity & Inclusion (EDI) considerations
- b) Stakeholder and ward member consultation and engagement
- c) Climate Change and Environmental considerations
- d) Human Resources/Property considerations (if appropriate)
- e) Communication considerations
- f) Considerations applicable to the contribution to the Borough Plan Priorities & Strategic Context.

arising out of this report

**Report sign off:**

**Debra Norman**  
Corporate Director, Governance



**Appendix A: 7 June 2023 to 16 September 2023**

<b>Councillor</b>	<b>Date of gift</b>	<b>Gift received</b>	<b>Value £</b>	<b>From</b>
Mili Patel	16.5.2023	Dinner with Stephen Davis, Chief Executive of the United College Group. Coal Office Restaurant, London N1	25.00	United Colleges Group
Matt Kelcher	29.5.2023	Four tickets for the League One play off final 2023	120.00	The FA
Muhammad Butt	12.06.2023	3 tickets to Harry Syles concert on 13 June 2023	100 x 3	Wembley Stadium
	4.8.2023	3 x tickets for Sunday for the 6th August 2023 FA Community Shield	30.00 x 3	The FA
	6/9/2-23	Bunch of Interflora Flowers	30.00	A resident
Gwen Grahl	24.5.2023	x2 Tickets to Retrograde	80.00	Kiln Theatre
Tony Ethapemi	14.07.2023	x2 tickets to a comedy show at the 02 Arena	50.00	Gopuff
Ketan Sheth	20/06/2023	An invitation to the City of London Corporation's Community and Children's Services Committee Dinner. Guildhall, London EC2	50.00	City of London Corporation
	06/07/2023	An invitation to the Rise Partnership Trust BBQ. London SW14.	25.00	Rise Trust Partnership
	19/07/2023	An invitation to the launch of "We Are General Practice" campaign followed by a dinner	100.00	NHS NW London Integrated Care System
	13/08/2023	Gift of tie and a pair of cufflinks.	25.00	Dr E Kong
	06/09/2023	An invitation to the Health and Adult Social Care Awards.	20.00	NHS Brent
	07/09/2023	An invitation to the Staff Awards, Wembley Stadium.	25.00	London North West University Healthcare NHS Trust
Promise Knight	14.7.2023	02 Tickets x 2 - Jack Whitehall	50.00	Gopuff

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## Appendix B

Councillors due complete the Data Protection & Information Security on 5.10.23


No	Councillor Name
1)	Cllr Narinder Bajwa*
2)	Cllr Saqlain Choudry*
3)	Cllr Liz Dixon*
4)	Cllr Gwen.Grahl*
5)	Cllr Mary Mitchell*
6)	Cllr Mili Patel*
7)	Cllr Eleanor Southwood*
8)	Cllr Robert Johnson*
9)	Cllr Hannah Matin**
10)	Cllr Orleen Hylton **
11)	Cllr Neil Nerva
12)	Cllr Shama Tatler
13)	Cllr Fleur.Donnely-Jackson
14)	Cllr Suresh Kansagra

### Key

\*\* accepted tentatively

\*awaiting response

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b>
	26 September 2023
	<b>Report from the Chief Executive and Corporate Director of Finance and Resources</b>
<b>Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources &amp; Reform</b>	

**First Wave Housing Limited**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	Appendix 1 – FWH August 2023 Report to the Guarantor
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Sadie East Director of Transformation <a href="mailto:Sadie.East@brent.gov.uk">Sadie.East@brent.gov.uk</a> 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 the work of First Wave Housing Ltd (FWH; the company) to deliver against its business plan for 2023-24 which was agreed with the Council as Guarantor.

**2.0. Recommendation(s)**

2.1. The ASAC is asked to note the content of the report.

2.2. The ASAC is asked to note the update on company's financial outturn for 2022-23.

**3.0. Detail**

### **3.1. Introduction**

3.1.1. FWH is a Registered Provider of Social Housing wholly owned by Brent Council. FWH is limited by guarantee and owns a stock of 216 units.

### **3.2. Contribution to Borough Plan Priorities & Strategic Context**

3.2.1. The work of FWH contributes to the Borough Plan strategic priority of 'Prosperity and Stability in Brent: Safe, Secure and Decent Housing' as its core business activity involves providing good quality affordable housing in the borough to reduce homelessness and alleviate the use of Temporary Accommodation.

### **3.3. Changes to Reporting Arrangements**

3.3.1. Historically, the Committee has received a report from the Chair of the FWH Board twice each year on the company's financial & operational performance, risks, business plan and governance.

3.3.2. Following a review of the Committee's arrangements, and in consultation with the Chair and Vice-Chair, it has been agreed that moving forward the Committee will receive bi-annual reports from the Council's Chief Executive and Corporate Director of Finance and Resources, providing assurance on the arrangements the Council, as Guarantor of FWH, has in place to oversee the good performance and governance of the company. This approach is in-line with best practice as set out in CIPFA's Audit Committees guidance.

3.3.3. Reports will outline the governance arrangements in place between the Council and company, provide a report on the most recent FWH-Guarantor meeting, & present the company's annual business plan and annual accounts.

3.3.4. Moving forward, operational performance for the company will be scrutinised by the Community & Wellbeing Scrutiny Committee. In early 2024, a joint meeting of the Community & Wellbeing and Resources & Public Realm Scrutiny Committees will be convened to review the housing companies.

### **3.4. Governance Arrangements**

3.4.1. FWH is governed by a Guarantor's Agreement with Brent Council, which outlines the matters and decision-making powers which are reserved to the Council as sole Guarantor. This includes approval of the annual business plan, which is agreed by Cabinet each year; the Board is unable to deviate from this plan without Guarantor agreement.

3.4.2. The FWH Board meets on a monthly basis and is made up of an independent Chair, two Council directors, one councillor and one independent non-executive director. In the past year, the Board has met 13 times; this includes 11 scheduled meetings – the Board does not meet in August – as well as two extraordinary strategy sessions, one to discuss 2023-24 business plan strategy

and one to review the results of consultancy work which the company had commissioned in relation to development opportunities.

- 3.4.3. In addition, FWH has six-monthly meetings with the Chief Executive, Corporate Director of Finance & Resources and Deputy Leader who represent the Council as Guarantor. The Council and company are continuing to review governance arrangements and are considering scheduling additional touch-point meetings between these six-monthly meetings. Latest Guarantor meetings took place in January and August 2023.
- 3.4.4. A 30-year business plan is in place for FWH to ensure long-term financial standing. This is reviewed annually and is supported by monthly monitoring reports. The company produces and files annual statutory accounts.
- 3.4.5. FWH maintains a risk register covering both strategic and operational matters. Risks are aligned to the company's long-term strategic objectives and are reviewed and reported to the Board on a quarterly basis as well as to the Guarantor on a biannual basis. The viability of the company is considered during the risk review, as well as during the annual review of the business plan and when producing the annual statement of accounts. The current highest scoring risks for FWH are:
- FWH lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
  - High void rent loss due to long void turnaround times.
  - High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- 3.4.6. In addition, a risk in relation to the operations and governance of the housing companies is recorded on the Council's Resident Services departmental risk register. Mitigating factors include the governance arrangements detailed in this section.
- 3.4.7. Furthermore, FWH has a robust internal audit programme with the current audit plan having been assurance mapped against the company's risk register and agreed by the Board, and the results of audit findings being reported back to the Board. Focuses of recent audits include health & safety compliance, as well as the Council's governance arrangements in relation to the company. Upcoming plans include an audit of the company's financial controls with a focus on the monitoring and charging of repairs costs.
- 3.4.8. As a Registered Provider, FWH reviews its compliance with the Regulator of Social Housing's regulatory standards on an annual basis. This includes ensuring compliance with the Rent, Governance & Financial Viability and Value for Money standards.

- 3.4.9. The annual external audit is another means to demonstrate financial resilience and sustainability. This audit not only provides assurance on all financial matters that occurred during the year, it also provides assurance on the company's overall financial position and going concern status. A letter of representation is sent to the external auditor from the Director of Finance & Resources confirming Brent undertakes to provide continuing financial support to enable FWH to fund its liabilities as they fall due and to allow the financial statements of FWH to be prepared on a going concern basis.
- 3.4.10. The Chair of the FWH Board, Martin Smith, is due to step down at the end of 2023. The recruitment process to appoint a new Chair will commence in late September and Cabinet will be asked to endorse the appointment of a new Board Chair in December.

### **3.5. Update from Guarantor Meeting**

- 3.5.1. The latest Guarantor meeting between the Council and FWH took place on 8<sup>th</sup> August 2023.
- 3.5.2. The Chair of the FWH Board presented a report on the company's operational performance, financial performance, business plan progress, risks and governance to the Council's Chief Executive, Corporate Director of Finance & Resources and Deputy Leader.
- 3.5.3. The full report can be found in Appendix 1. This section provides a summary of key discussions at the meeting.
- 3.5.4. *Operational Performance*
- 3.5.5. The Council noted the good health & safety compliance performance of the company.
- 3.5.6. The Chair highlighted ongoing issues with void times. The Council asked whether the Board had considered moving away from Brent Housing Management (BHM) for its housing management services. The Chair responded that the Board did discuss this every 12-18 months and felt that performance, while below target, was in line with other providers such as Mears, who provide services for the Council's other housing company i4B Holdings Ltd. The Board also had a desire to support BHM in addressing issues and improving its performance.
- 3.5.7. *Financial Performance*
- 3.5.8. The Chair highlighted that issues with late charges for void works & repairs from BHM were affecting the company's ability to forecast effectively.



3.5.9. The Council asked how the company was holding it and BHM to account for this; the Chair responded that FWH was considering introducing a deadline for charges – for example three months – after which invoices would not be paid. In addition, an audit on financial controls is due to begin in the autumn, which will suggest further improvements to monitoring and charging processes.

3.5.10. *Business Plan*

3.5.11. The Council asked the Company how FWH was performing against its Business Plan priorities. The Chair responded that, while progress varied between priorities, performance was generally good.

3.5.12. The first results of new tenant satisfaction measures had recently been received and showed that FWH’s satisfaction was in line with that of Council tenants. The Board will receive tenant satisfaction reports every six months in order to monitor direction of travel.

3.6. **2022-23 Financial Outturn**

3.6.1. In the 2022/23 financial year, the company made a profit (excluding depreciation, revaluations and tax) of £0.543m compared to £0.734m in 2021/22.

3.6.2. *Summary Financial Outturn*

3.6.3. The financial outturn for the year is below. Rent turnover for the year is largely in line with budget at £3.29m (this is an adverse variance of £13k against budget).

Table 1 – Financial Outturn 2022/23

<b>FWH 22/23 Outturn</b>	<b>Budget 22/23</b>	<b>March 23 Outturn</b>	<b>Variance to Budget</b>
Income	3,305	3,292	(13)
Expenditure	(1,440)	(2,047)	(607)
Financing	(702)	(702)	0
<b>Profit (Loss) before tax revaluations and depreciation</b>	<b>1,163</b>	<b>543</b>	<b>(620)</b>

3.6.4. *Income and Expenditure Statement*

3.6.5. Profit excluding depreciation, revaluations and tax is £0.543m compared to £0.734 in 2021/22.

3.6.6. Turnover for 2022/23 is £3.292m; this is lower than 2021/22 by £851k, which is mainly due to the transfer of 110 properties at Granville New Homes to i4B and the Council in April 2022.

3.6.7. The principal variations in outturn to the budget are:

- Favourable variance in Provision for doubtful debts of £101k. This is because of a better performance in collection in the year.
- Property maintenance cost for the year is £318k higher than original budget and £271k higher than the March 2023 forecast. This is mainly made up of £178k refurbishment costs and an increase in Q4 property charges.
- Supplies and services is also £341k higher than the budget.

**Statement of comprehensive income for the year ended 31 March 2023**

	<i>Note</i>	<b>2022/23</b>	<b>2021/22</b>
		<b>£'000</b>	<b>£'000</b>
Turnover	5	3,292	4,143
Operating costs	6,7,8	(2,541)	(2,762)
Reversal of Revaluation loss on housing assets		0	3,530
Surplus on asset disposal	7	130	0
Surplus on revaluation of investment properties	11	1,260	230
Surplus on revaluation of commercial properties	11	0	12
<b>Operating Surplus (Loss)</b>	<b>7</b>	<b>2,141</b>	<b>5,153</b>
Interest payable and similar charges	15	(702)	(1,080)
<b>Profit (Loss) on ordinary activities before taxation</b>		<b>1,439</b>	<b>4,073</b>
Tax on surplus/(Loss) on ordinary activities	9	(494)	(453)
<b>Profit (Loss) on ordinary activities after taxation</b>		<b>945</b>	<b>3,620</b>
<b>Profit (Loss) Loss for the financial year</b>	<i>SOCIE</i>	<b>945</b>	<b>3,620</b>
Unrealised gains on revaluation of social housing properties	<i>SOCIE</i>	1,628	2,322
<b>Total comprehensive income for the year</b>		<b>2,573</b>	<b>5,942</b>

3.6.8. Concerns have been raised about repeated late charges being received from the Council that should have been recharged earlier in the year. This is primarily on refurbishments, which is a high area of expenditure and therefore important to monitor. This has an impact on providing accurate forecasts to the board during the year. In addition, clarity on the cost and standard of refurbishments, as well as the approval process, requires further attention. To this end, the

Council's internal audit team will be asked to carry out a review of company financial controls.

**4.0. Stakeholder and ward member consultation and engagement**

4.1. N/A

**5.0. Financial Considerations**

5.1. Outlined in the report.

**6.0. Legal Considerations**

6.1. N/A

**7.0. Equality, Diversity & Inclusion (EDI) Considerations**

7.1. N/A

**8.0. Climate Change and Environmental Considerations**

8.1. N/A

**9.0. Human Resources/Property Considerations**

9.1. N/A

**10.0. Communication Considerations**


10.1. N/A

**Report sign off:**

**Kim Wright**  
Chief Executive

**Minesh Patel**  
Corporate Director of Finance and Resources

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	<p align="center"><b>First Wave Housing Ltd</b>  <b>Guarantor Meeting</b>  8 August 2023</p>
	<p align="center">Report from the Chair of  First Wave Housing Ltd</p>
<p align="center"><b>Update on FWH Performance</b></p>	
<p><b>No. of Appendices</b></p>	1 – FWH Compliance Scorecard 2 – FWH Risk Register
<p><b>Author</b></p>	Hal Chavasse Strategy & Delivery Manager <a href="mailto:Harry.Chavasse@brent.gov.uk">Harry.Chavasse@brent.gov.uk</a>

## 1.0 Purpose of the Report

1.1 This report provides an update on the performance of First Wave Housing Ltd (FWH).

## 2.0 Recommendation(s)

2.1 The Guarantor notes the update on FWH's financial and operational performance, risks and compliance.

2.2 The Guarantor notes the update on the 2023/24 FWH Business Plan.

## 3.0 Key Points

3.1 High void times remain a challenge for FWH; a voids hit squad has been in operation since July 2023 where officers are assigned cases to track and monitor ensuring delays are prevented.

3.2 In the 2022/23 financial year, the company made a profit (excluding depreciation, revaluations and tax) of £0.543m compared to £0.734m in 2021/22.

3.3 FWH's 2023/24 business plan was agreed by Cabinet in March 2023. FWH's priorities are set out within the framework of the Company's medium-to long-term objectives. These are:

- 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 Update on Purchasing**

- 4.1 First Wave Housing and i4B have a common acquisition & development strategy, under which opportunities are progressed through either company in the way that is most beneficial to the overall Council housing group. For example, i4B carries out the companies' ongoing street property acquisition programme. As a Registered Provider, FWH is eligible for certain grant opportunities not available to i4B.
- 4.2 For example, FWH is seeking to purchase six properties in 2023-24 through the GLA's Refugee Housing Programme to provide housing for Afghan and Ukrainian refugees. The programme is targeting larger homes with at least four bedrooms, with purchases to be 50% grant funded and 50% funded by a loan from the Council to FWH; the terms of this loan are in the process of being agreed.
- 4.3 Alongside this, FWH is also open to larger new build block opportunities. FWH recently commissioned consultants Red Loft to analyse the housing development market and the various delivery routes available to i4B and First Wave Housing. The results of this work were presented at a strategy session in May.
- 4.4 At the session, the Board confirmed that direct delivery of new development was out of scope for the scale of the companies. The Board agreed that purchasing a new build block through Section 106 or a bulk purchase would be the best way to use remaining funding quickly and usefully.
- 4.5 First Wave Housing is exploring the acquisition of 42 key worker housing units at Fulton Road, a development under construction in Wembley Park. The Council would lease these units to FWH, and the company is awaiting further information from the Council on service charges and other maintenance costs, following which a full appraisal of the scheme will be carried out and presented to the Board for review.
- 4.6 Any opportunity requiring more than the £20m of loan funding remaining to FWH would require new loan finance from the Council as Guarantor. The Guarantor is asked to provide initial feedback on the availability of loan funding for such future opportunities.
- 4.7 Should FWH wish to pursue any purchasing opportunities, new loan finance would need to be agreed with the Council. The Company will hold discussions with the Guarantor as necessary when opportunities arise.

## **5.0 Update on Financial Performance**

- 5.1 In the 2022/23 financial year, the company made a profit (excluding depreciation, revaluations and tax) of £0.543m compared to £0.734m in 2021/22.
- 5.2 *Summary Financial Outturn*
- 5.2.1 The financial outturn for the year is below. Rent turnover for the year is largely in line with budget at £3.29m (this is an adverse variance of £13k against budget).

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### 5.3 *Income and Expenditure Statement*

5.3.1 Profit excluding depreciation, revaluations and tax is £0.543m compared to £0.734 in 2021/22.

5.3.2 Turnover for 2022/23 is £3.292m; this is lower than 2021/22 by £851k, which is mainly due to the transfer of 110 properties at Granville New Homes to i4B and the Council in April 2022.

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5.3.4 Concerns have been raised about repeated late charges being received from the Council that should have been recharged earlier in the year. This is primarily on refurbishments, which is a high area of expenditure and therefore important to monitor. This has an impact on providing accurate forecasts to the board during the year. In addition clarity on the cost and standard of refurbishments, as well as the approval process, requires further attention. To this end, the Council's internal audit team will be asked to carry out a review of company financial controls.

## 6.0 Update on Operational Performance

6.1 Table 2 below gives a summary of current operational performance.

Table 2 – Key Performance Indicators

Indicator	Target	Performance at November 2022	Performance at June 2023
Rent collection	98.5%	99.77%	105.46%
Minor voids	35 days	157 days	88 days
Major voids	72 days	193 days	194 days
Emergency repairs (24 hours)	100%	99%	100%
Urgent repairs (7 days)	95%	79%	100%
Routine repairs (28 days)	95%	74%	69%
Landlord gas safety record	100%	100%	100%

### 6.1 Rent Collection

6.1.1 The year-to-date rent collection figure is currently above the 98.5% target at 105.46%. In order to ensure continued good performance in rent collection, a dedicated Housing Companies Operational Manager was appointed in June 2023. It is hoped that a renewed focus on early intervention will reduce rent arrears and increase tenancy sustainment. Despite good performance, the ongoing cost of living crisis has the potential to reduce affordability for tenants and negatively impact rent collection in the future.

### 6.2 Voids Performance

6.2.1 High void times continue to be the major operational issue for FWH, with both minor and major void times out of target. This is an issue facing the whole of BHM. In order to address this, BHM introduced a Voids Hit Squad in July 2023, comprising of three officers and one Manager. The purpose of the team is to casework and 'own' each void as it comes through from end to end. Each void will have an officer attached to it who will track and monitor it to ensure that delays are prevented, and that major and minor void turnaround times are bought back within target. In addition, work is being carried out to identify and clear any historic or incorrectly logged voids.

### 6.3 Repairs

6.3.1 In the year to date, 100% of all emergency repairs have been responded to within 24 hours. All urgent repairs have been completed within 7 days, which is above the target of 95% and 29 out of 42 routine repairs were completed, which falls below the target of 95%.



## 6.4 Gas Safety

6.4.1 The Landlord gas safety record is on target at 100%. All properties have a valid gas safety certificate.

## 7.0 Risk Update

7.1 The full company risk register is included in Appendix 2. The main risks FWH currently faces are:

- FWH lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
- High void rent loss due to long void turnaround times.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- 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.

7.2 The Company's risk register is reviewed quarterly. Throughout the risk register business plans assumptions and mitigations are updated. The scoring in the risk register is as of the last review at August 2023, and is due to be reviewed again for the next Board meeting in October 2023.

## 8.0 Update on the 2023/24 FWH Business Plan

8.1 The 2023/24 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2023/24 are set out within the framework of the medium to long-term objectives of Brent's Housing Companies. A summary of business plan performance against each objective in the year to date is below.

### 8.2 *Increasing the supply of affordable housing in the borough*

8.3 A Strategy session with consultants Red Loft was held in May 2023 to review the market for new build and block acquisition opportunities. The Board agreed that FWH should explore s106 and bulk purchase opportunities where appropriate as well as re-entering the street property market.

### 8.4 *Running a viable business*

8.5 In June 2023 a Housing Companies Operational Manager was appointed, who will work with FWH Officers to undertake project work in order to reduce rent arrears across the portfolio.

8.6 The Voids Hit Squad has now been introduced by BHM in an effort to improve void processes and performance times. An analysis of their performance will be carried out in December 2023.

8.7 A company Value for Money Strategy will be presented at the September Board, outlining actions to improve FWH's understanding of current costs and performance, identify actions to improve performance and value for money in key areas of focus, and ultimately improve the company's ability to meet its business plan objectives.

- 8.8 *Delivering safe and sustainable homes*
- 8.9 Health and safety compliance is overseen through both the short-term monitoring tracker and the implementation of True Compliance, which is now live. Initial reports are expected imminently.
- 8.10 Stock condition and energy surveys have been carried out and the final outcomes are pending. Once received, reports will be run to review the energy performance and decarbonisation potential across the stock to inform long-term asset management planning.
- 8.11 A report on disrepair was presented to the July Board meeting. This demonstrated how BHM is managing disrepair cases and proactively managing damp & mould on behalf of FWH, and summarise live cases.
- 8.12 *Providing a consistently good housing service*
- 8.13 New tenant satisfaction measures have now been implemented and initial findings were presented to Board in July 2023. FWH will review initial results from these surveys as well as transactional feedback from its tenants to identify and carry out any necessary actions to improve tenant satisfaction. In addition to this, in order to enhance complaints oversight and monitoring improvement work to the complaints system is being scoped by consultants.

## **9.0 Update on Governance**

- 9.1 Alongside its monthly internal Board meetings and twice-yearly meetings with the Council as Guarantor, FWH has reported every six months since its inception to the Audit and Standards Advisory Committee (ASAC) on risks, operational & financial performance, and progress in implementing the company's business plan. Following a review of the ASAC's terms of reference, it has been agreed that future reports to the ASAC will be from the Guarantor setting out how assurance to ASAC that its governance arrangements over i4B/FWH remain robust. The next report to the business plan is also approved each year by Cabinet.
- 9.2 On an annual basis, FWH also reviews its compliance with the economic standards set out by the Regulator of Social Housing, in the areas of value for money, rent, governance and financial viability. Actions implemented following the 2022-23 review include the introduction of a Board self-review and appraisal of the chair. The Board also agreed to sign up to the National Housing Federation Code of Governance in June 2023.
- 9.3 FWH also uses the Council's Internal Audit service to carry out audits on areas where it is seeking additional assurance. Recent audits have focused on governance arrangements between the Council and companies, and health and safety compliance.
- 9.4 Since the last report to the Guarantor in January 2023, Phil Porter has stepped down from the FWH Board following his departure from the Council. Melanie Smith, Director of Public Health, has joined the Board.



**Audit and Standards Advisory Committee**

26 September 2023

**Report from the Chief Executive and Corporate Director of Finance and Resources**

**Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform**

**i4B Holdings Ltd**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	Appendix 1 – i4B August 2023 Report to the Shareholder.
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Sadie East Director of Transformation <a href="mailto:Sadie.East@brent.gov.uk">Sadie.East@brent.gov.uk</a> Tel: 020 8937 1507

**1.0. Executive Summary**

1.1. This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on the work of i4B Holdings Ltd (i4B; the company) to deliver against its business plan for 2023-24 which was agreed with the Council as Shareholder.

**2.0. Recommendation(s)**

2.1. The ASAC is asked to note the content of the report.

2.2. The ASAC is asked to note the update on the company's financial outturn for 2022-23.

### **3.0. Detail**

#### **3.1. Introduction**

3.1.1. 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 Temporary Accommodation costs.

#### **3.2. Contribution to Borough Plan Priorities & Strategic Context**

3.2.1. The work of i4B contributes to the Borough Plan strategic priority of 'Prosperity and Stability in Brent: Safe, Secure and Decent Housing' as its core business activity involves increasing the supply of good quality affordable housing in the borough and reducing the use of Temporary Accommodation.

#### **3.3. Changes to Reporting Arrangements**

3.3.1. Historically, the Committee has received a report from the Chair of the i4B Board twice each year on the company's financial & operational performance, risks, business plan and governance.

3.3.2. Following a review of the Committee's arrangements, and in consultation with the Chair and Vice-Chair, it has been agreed that moving forward the Committee will receive bi-annual reports from the Council's Chief Executive and Corporate Director of Finance and Resources, providing assurance on the arrangements the Council, as Shareholder of i4B, has in place to oversee the good performance and governance of the company. This approach is in-line with best practice as set out in CIPFA's Audit Committees guidance.

3.3.3. Reports will outline the governance arrangements in place between the Council and company, provide a report on the most recent i4B-Shareholder meeting, & present the company's annual business plan and annual accounts.

3.3.4. Moving forward, operational performance for the company will be scrutinised by the Community & Wellbeing Scrutiny Committee. In early 2024, a joint meeting of the Community & Wellbeing and Resources & Public Realm Scrutiny Committees will be convened to review the housing companies.

#### **3.4. Governance Arrangements**

3.4.1. i4B is governed by a Shareholder's Agreement with Brent Council, which outlines the matters and decision-making powers which are reserved to the Council as

sole Shareholder. This includes approval of the annual business plan, which is agreed by Cabinet each year; the Board is unable to deviate from this plan without Shareholder agreement.

- 3.4.2. The i4B Board meets on a monthly basis and is made up of an independent Chair, two Council directors, one councillor and one independent non-executive director. In the past year, the Board has met 13 times; this includes 11 scheduled meetings – the Board does not meet in August – as well as two extraordinary strategy sessions, one to discuss 2023-24 business plan strategy and one to review the results of consultancy work which the company had commissioned in relation to development opportunities.
- 3.4.3. In addition, i4B has six-monthly meetings with the Chief Executive, Corporate Director of Finance & Resources and Deputy Leader who represent the Council as Shareholder. The Council and company are continuing to review governance arrangements and are considering scheduling additional touch-point meetings between these six-monthly meetings. Latest Shareholder meetings took place in January and August 2023.
- 3.4.4. A 30-year business plan is in place for i4B to ensure long-term financial standing. This is reviewed annually and is supported by monthly monitoring reports. The company produces and files annual statutory accounts.
- 3.4.5. The Company has a financial model that guides all acquisitions. A net yield target is set for all i4B purchases. This ensures that property purchases are viable and the Company is able to meet future financial commitments. The financial model is regularly reviewed to ensure its appropriateness and therefore the Company's ongoing financial viability.
- 3.4.6. Loans to fund asset acquisitions are on a long-term fixed rate basis which is an appropriate de-risking tool for financing the purchase of long term assets held for rent rather than for sale. Interest charges are included in the plan and are paid to the Council. As all loan finance is provided by the Council, the Council retains substantial freedom to restructure i4B's financial and ownership arrangements should it be necessary in order to secure the ongoing viability of the company or to safeguard the Council's financial interests.
- 3.4.7. i4B maintains a risk register covering both strategic and operational matters. Risks are aligned to the company's long-term strategic objectives and are reviewed and reported to the Board on a quarterly basis as well as to the Shareholder on a biannual basis. The viability of the company is considered during the risk review, as well as during the annual review of the business plan and when producing the annual statement of accounts. The current highest scoring risks for i4B are:
  - i4B lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.

- Tenant non-payment of rent increases due to unaffordability of rent.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- Substantial variations in inflation and interest rates compared to the business plan adversely affect financial performance and viability.
- Tax inefficiency in the i4B company structure makes property acquisition and decarbonisation works unaffordable.

3.4.8. In addition, a risk in relation to the operations and governance of the housing companies is recorded on the Council's Resident Services departmental risk register. Mitigating factors include the governance arrangements detailed in this section.

3.4.9. Furthermore, i4B has a robust internal audit programme with the current audit plan having been assurance mapped against the company's risk register and agreed by the Board, and the results of audit findings being reported back to the Board. Focuses of recent audits include health & safety compliance, as well as the Council's governance arrangements in relation to the company. Upcoming plans include an audit of the company's financial controls with a focus on the monitoring and charging of repairs costs.

3.4.10. The annual external audit is another means to demonstrate financial resilience and sustainability. This audit not only provides assurance on all financial matters that occurred during the year, it also provides assurance on the company's overall financial position and going concern status. A letter of representation is sent to the external auditor from the Director of Finance & Resources confirming Brent undertakes to provide continuing financial support to enable i4B to fund its liabilities as they fall due and to allow the financial statements of i4B to be prepared on a going concern basis.

3.4.11. The Chair of the i4B Board, Martin Smith, is due to step down at the end of 2023. The recruitment process to appoint a new Chair will commence in late September and Cabinet will be asked to endorse the appointment of a new Board Chair in December.

### **3.5. Update from Shareholder Meeting**

3.5.1. The latest Shareholder meeting between the Council and i4B took place on 8<sup>th</sup> August 2023.

3.5.2. The Chair of the i4B Board presented a report on the company's acquisition programme, operational performance, financial performance, business plan progress, risks and governance to the Council's Chief Executive, Corporate Director of Finance & Resources and Deputy Leader.

3.5.3. The full report can be found in Appendix 1. This section provides a summary of key discussions at the meeting.

#### 3.5.4. *Acquisitions*

3.5.5. The Chair of the Board highlighted that acquisitions in the past 9 months had been challenging due to high interest rates and property prices. The company is now purchasing again, although opportunities are still limited due to high price expectations and is exploring block acquisition opportunities.

3.5.6. The Council was asked to consider whether it would be open to providing further loan funding where an opportunity such as a block purchase arose that would be more costly than i4B's remaining loan funding.

3.5.7. The Council asked i4B about the results of its pilot project to purchase adapted properties for clients with mobility issues; i4B advised that given high prices for such properties this was not a financially viable programme at this stage.

#### 3.5.8. *Operational Performance*

3.5.9. The Council noted the good health & safety compliance performance of the company.

3.5.10. The Chair highlighted ongoing issues with void times. The Council asked whether the Board had considered moving away from Brent Housing Management (BHM) for its housing management services. The Chair responded that the Board did discuss this every 12-18 months and felt that performance, while below target, was in line with other contractors such as Mears. The Board also had a desire to support BHM in addressing issues and improving its performance.

3.5.11. Regarding particularly high void times in the Home Counties, managed by Mears, the Council queried whether there were likely to be future issues in re-letting these properties. The Chair agreed that this was likely, as Brent's accepted homelessness clients generally have local family and school connections in the borough. Going forward the company would consider disposing of these properties where suitable clients could not be found at the void stage.

#### 3.5.12. *Financial Performance*

3.5.13. The Chair highlighted that i4B was in the process of reviewing its tax efficiency, and that issues with late charges for void works & repairs from BHM were affecting the company's ability to forecast effectively.

3.5.14. The Council asked how the company was holding it and BHM to account for this; the Chair responded that i4B was considering introducing a deadline for charges – for example three months – after which invoices would not be paid. In addition, an audit on financial controls is due to begin in the autumn, which will suggest

further improvements to monitoring and charging processes.

#### 3.5.15. *Business Plan*

3.5.16. The Council asked the Company how i4B was performing against its Business Plan priorities. The Chair responded that, while progress varied between priorities, performance was generally good.

3.5.17. The first results of new tenant satisfaction measures had recently been received and showed that i4B's satisfaction was lower than that of First Wave Housing – the Council's Registered Provider – and BHM more widely. It was thought that this was due to i4B's properties being more widely dispersed, as well as i4B having a greater number of properties in blocks and estates owned by third parties (whether housing associations, other local authorities or private freeholders). The Board will receive tenant satisfaction reports every six months in order to monitor direction of travel.

### 3.6. **2022-23 Financial Outturn**

3.6.1. In the 2022/23 financial year, i4B made an operational profit of £0.659m compared to £0.549m in 2021/22. Void turnaround times and low-income collection rates remain the key drags on financial performance. The purchase programme slowed in 2022/23 as a result of strained affordability with interest rate rises.

#### 3.6.2. *Summary Financial Outturn*

3.6.3. The financial outturn for the year is below. The key points are:

- i4B has generated a surplus before revaluations, depreciation and tax of £0.659m compared to of £0.549m in the previous year.
- The principal variations to the prior year are £0.952m in net financing costs arising as a result of the drawdown of £40m loan facility in August 2022 in order to secure a favourable interest rate. The loan interest payable for the year is £5.2m which is partially offset by interest receivable of £0.3m; this is £369k higher than the budget of £4.55m.
- i4B initially set a target of acquiring 48 properties in its 2022-23 Business Plan. However, recent higher global inflation rates and ensuing increases in interest rates challenged this ambition. 24 new units were purchased and in addition, 25 intermediate units were transferred from First Wave Housing to i4B on 4th April 2022 as part of the transfer of the Granville New Homes blocks, hence increased turnover.

Table 1 – Financial Outturn 2022/23



i4B 22/23 Outturn	Budget 22/23	March 23 Outturn	Variance to Budget
Income	8,606	8,688	82
Expenditure	(3,081)	(3,109)	(28)
Financing	(4,551)	(4,920)	(369)
<b>Profit (Loss) before tax revaluations and depreciation</b>	<b>974</b>	<b>659</b>	<b>(315)</b>

#### 3.6.4. *Income and Expenditure Statement*

3.6.5. Profits excluding depreciation, revaluations and tax is £0.659m compared to £0.549 in 2021/22

3.6.6. The key changes compared to the prior year are:

- Increased income due to an increase in property numbers
- A positive revaluation gains due to increases in the property values market
- £0.952m increase in net financing costs as a result of the drawdown of £40m loan facility
- Tax on Profit on ordinary activities higher by £1.6m due to increased operating profit and increase in revaluation surplus.

#### **Statement of Comprehensive Income for the year ended 31 March 2023**

	<i>Note</i>	2022/23	2021/22
		£000	£
Turnover	5	8,688	6,663
Cost of sales	6	(338)	(314)
<b>Gross profit(loss)</b>		<b>8,350</b>	<b>6,349</b>
Administrative expenses	7,8,9	(2,771)	(1,833)
Depreciation		(519)	(526)
Surplus on disposals		30	0
Surplus (Loss) on revaluation	11	5,825	2,316
<b>Operating Profit</b>		<b>10,915</b>	<b>6,306</b>
Interest payable and similar charges	10	(4,920)	(3,967)

<b>Profit on ordinary activities</b>		<b>5,995</b>	<b>2,339</b>
Tax on Loss on ordinary activities	12	(2,096)	(442)
<b>Profit (Loss) on ordinary activities after taxation</b>		<b>3,899</b>	<b>1,897</b>
Unrealised Gain (Loss) on Property Plant and Equipment	11	2,893	(175)
Deferred Tax charge	12	(593)	(658)
<b>Total Comprehensive Income for the year</b>		<b>6,199</b>	<b>1,064</b>

3.6.7. Concerns have been raised about repeated late charges being received from the Council that should have been recharged earlier in the year. This is primarily on refurbishments, which is a high area of expenditure and therefore important to monitor. This has an impact on providing accurate forecasts to the board during the year. In addition, clarity on the cost and standard of refurbishments, as well as the approval process, requires further attention. To this end, the Council's internal audit team will be asked to carry out a review of company financial controls.

#### **4.0. Stakeholder and ward member consultation and engagement**

4.1. N/A

#### **5.0. Financial Considerations**

5.1. Outlined in the report.

#### **6.0. Legal Considerations**

6.1. N/A

#### **7.0. Equality, Diversity & Inclusion (EDI) Considerations**

7.1. N/A

#### **8.0. Climate Change and Environmental Considerations**

8.1. N/A

#### **9.0. Human Resources/Property Considerations**

9.1. N/A

## 10.0. Communication Considerations


10.1. N/A

**Report sign off:**

***Kim Wright***  
Chief Executive

***Minesh Patel***  
Corporate Director of Finance and Resources

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	<p align="center"><b>i4B Holdings Ltd</b>  <b>Shareholder Meeting</b>  8 August 2023</p>
	<p align="center">Report from the Chair of  i4B Holdings Ltd</p>
<p align="center"><b>Update on i4B Performance</b></p>	
<p><b>No. of Appendices</b></p>	<p>1 – i4B Compliance Scorecard  2 – i4B Risk Register</p>
<p><b>Author</b></p>	<p>Hal Chavasse  Strategy &amp; Delivery Manager  <a href="mailto:Harry.Chavasse@brent.gov.uk">Harry.Chavasse@brent.gov.uk</a></p>

## 1.0 Purpose of the Report

1.1 This report provides an update on the performance of i4B Holdings Ltd (i4B).

## 2.0 Recommendation(s)

2.1 The Shareholder notes the update on i4B’s financial and operational performance, risks and compliance.

2.2 The Shareholder notes the update on the 2023/24 i4B Business Plan.

## 3.0 Key Points

3.1 i4B’s business objective is to maximise affordable housing consistent with maintaining the Company’s ongoing financial viability. The Company is designed to offer a delivery option for the Council’s affordable housing and reducing homelessness objectives.

3.2 The current economic environment of high inflation and high interest rates continues to impact i4B’s ability to purchase properties. i4B has now resumed purchasing and the property team are currently identifying properties in the borough.

3.3 In the 2022/23 financial year, the company made an operational profit of £0.659m compared to £0.549m in 2021/22.

3.4 The Company’s main operational challenges continue to be void times and rent collection. The effectiveness of Brent Housing Management’s recent changes to voids management is being monitored, but it is too soon to carry out a full assessment as the ‘Hit Squad’ has only been in operation since July 2023.

3.5 i4B's 2023/24 business plan was agreed by Cabinet in March 2023. i4B's priorities are set out within the framework of the Company's medium-to long-term objectives. These are:

- 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 Update on Purchasing**

4.1 i4B's street property acquisition programme has been impacted by high global inflation levels and increased interest rates, which have reduced the amount of properties that meet the Company's financial criteria. As a result, in late 2022 the i4B Board took the decision to suspend new offers on properties for six months. Overall, the Company purchased 22 properties in 2022-23, and has purchased six properties in 2023-24 to date.

4.2 i4B has circa £20m remaining of loan funding from the Council, which has been drawn down at an interest rate of 3.45%. By way of comparison, current Public Works Loan Board (PWLB) rates are at over 5%.

4.3 In May 2023, a review of the street property market was carried out in collaboration with the Council's Property Team. This indicated that, while still restrictive, there were likely to be some viable opportunities for i4B to purchase on the secondary market at the drawn down 3.45% rate. However, at current rates (5.2% at the time of the report) purchasing was expected to be very challenging.

4.4 Given this, the Board agreed to resume offers on individual street properties and smaller blocks using available funding at the 3.45% rate. The Property Team have begun to identify opportunities in the borough; 10 offers have been made so far with four properties now in conveyancing and new properties being identified on a weekly basis. The Board will keep progress under review and continue to work with the Housing Needs service to understand how best new acquisitions can be used to help meet the increasing demand from homeless individuals and families.

4.5 The Company's purchasing guidance has been strengthened to avoid acquiring properties that do not meet energy performance requirements, difficult-to-manage properties in blocks with third party freeholders, properties with short leases, and properties with disrepair issues such as damp, mould or structural problems.

4.6 Alongside purchasing on the secondary market, i4B is also open to larger new build block opportunities. i4B recently commissioned consultants Red Loft to analyse the housing development market and the various delivery routes available to i4B and First Wave Housing. The results of this work were presented at a strategy session in May.

4.7 At the session, the Board confirmed that direct delivery of new development was out of scope for the scale of the companies. The Board agreed that

purchasing a new build block through Section 106 or a bulk purchase would be the best way to use remaining funding quickly and usefully.

4.8 Any opportunity requiring more than the £20m of loan funding remaining to i4B would require new loan finance from the Council as Shareholder. The Shareholder is asked to provide initial feedback on the availability of loan funding for such future opportunities.

## 5.0 Update on Financial Performance

5.1 In the 2022/23 financial year, i4B made an operational profit of £0.659m compared to £0.549m in 2021/22. Void turnaround times and low-income collection rates remain the key drags on financial performance. The purchase programme slowed in 2022/23 as a result of strained affordability with interest rate rises.

### 5.2 Summary Financial Outturn

5.2.1 The financial outturn for the year is below. The key points are:

- i4B has generated a surplus before revaluations, depreciation and tax of £0.659m compared to of £0.549m in the previous year.
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Financing	(4,551)	(5,294)	(4,920)	(369)	374
<b>Profit (Loss) before tax revaluations and depreciation</b>	<b>974</b>	<b>637</b>	<b>659</b>	<b>(315)</b>	<b>22</b>

### 5.3 Income and Expenditure Statement

5.3.1 Profits excluding depreciation, revaluations and tax is £0.659m compared to £0.549 in 2021/22.

5.3.2 The key changes compared to the prior year are:

- Increased income due to an increase in property numbers
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<b>Total Comprehensive Income for the year</b>		<b>6,199</b>	<b>1,064</b>

5.3.3 Concerns have been raised about repeated late charges being received from the Council that should have been recharged earlier in the year. This is primarily on refurbishments, which is a high area of expenditure and therefore important to monitor. This has an impact on providing accurate forecasts to the board during the year. In addition clarity on the cost and standard of refurbishments, as well as the approval process, requires further attention. To this end, the Council's internal audit team will be asked to carry out a review of company financial controls.



## 6.0 Update on Operational Performance

6.1 Tables 2, 3 and 4 give a summary of current operational performance.

Table 2 – Key Performance Indicators

Indicator	Target	Performance at November 2022	Performance at June 2023
Number of PRS units	n/a	PRS: 389 Key Worker: 153	PRS: 429 Key Worker: 153
Average cost per property	£363,000	£370,415	£372,274
Net yield of whole portfolio	1.22%	1.32%	1.33%
Instruction to Legal to Purchase	120 days	144 days	146 days
Minor void times	35 days	New Purchases: 104 days  Re-lets: 179 days	New Purchases: 89 days  Re-lets: 218 days
Major void times	72 days	New Purchases: 122 days  Re-lets: 179 days	New Purchases: 102 days  Re-lets: 169 days
Emergency repairs (24 hours)	100%	96%	100%
Urgent repairs (7 days)	95%	77%	97%
Routine repairs (28 days)	95%	77%	77%
Rent collection	98.5%	BHM – 89.7% Mears 88.4%	BHM – 91.6% Mears – 92.5%
Landlord gas safety record	100%	BHM – 100% Mears – 95.2%	BHM – 100% Mears – 100%

## 6.2 Acquisitions

6.2.1 The Company's ongoing street property purchase programme has been significantly impacted by higher global inflation rates and increased interest rates, which has reduced the amount i4B can spend on new acquisitions. Subsequently, there is no purchasing target for the current financial year. As of June 2023, i4B has purchased six properties. See Section 4 for more information.

## 6.3 Voids Performance

6.3.1 High void times continue to be the major operational issue for i4B, with both minor and major void times out of target. This is an issue facing the whole of BHM. In order to address this, BHM introduced a Voids Hit Squad in July 2023, comprising of three officers and one Manager. The purpose of the team is to casework and 'own' each void as it comes through from end to end. Each void will have an officer attached to it who will track and monitor it to ensure that delays are prevented, and that major and minor void turnaround times are bought back within target. In addition, work is being carried out to identify and clear any historic or incorrectly logged voids.

6.3.2 i4B owns 79 properties in the Home Counties and Greater London which are managed by an external provider, Mears Housing Management. Mears have re-let one property in this financial year. The property took 591 days to be let; delays in re-letting this property were due to Brent being unable to provide a nomination for the property and a nomination agreement needing to be set up with Milton Keynes council. In addition, at the point of sign up, additional works and outstanding compliance certificates were identified which caused further delays.

6.3.3 Table 3 shows the current number of void and occupied properties. Currently, 16 of the company's 429 PRS properties and four properties at i4B's key worker block, Lexington, are void. i4B have provided nominations for two of the current void properties. Due to the high demand for this block, the remaining two vacant flats will be allocated to applicants from the waiting list once void works are complete. Of the 16 PRS properties, 3 are recent acquisitions and 13 are re-let voids including two properties in the Home Counties and one property at Granville New Homes, a group of blocks in South Kilburn requiring significant remedial work; as a result this property is out of management, meaning it will not be re-let until the necessary remedial works have been carried out.

Table 3 – Refurbishment and Lettings

Refurbishment & Lettings	Performance at December 2022	Performance at June 2023
Properties Let	PRS: 401 Lexington:150 <b>Total: 551</b>	PRS: 411 Lexington: 149 <b>Total: 560</b>
Properties void	PRS: 25 Lexington: 3 <b>Total: 28</b>	PRS: 16 Lexington: 4 <b>Total: 20</b>

6.3.4 As of the end of June 2023, i4B has housed 416 families and 961 children.

Table 4 – Breakdown of families directed to i4B as of June 2023

Previous Accommodation	No. of families	No. of children
Direct to i4B	102	210
Women's Refuge	2	15
TA Stage 1 – B&B	255	585
TA Stage 2 – Leased	57	151
<b>Total</b>	<b>416</b>	<b>961</b>

#### 6.4 *Rent collection*

6.4.1 Rent collection is also a major operational issue for i4B. The year-to-date rent collection figure is 91.6% for BHM, which falls below the target of 98.5%. In order to address this, a dedicated Housing Companies Operational Manager was appointed by BHM in June 2023. It is hoped that a renewed focus on early intervention will reduce rent arrears and increase tenancy sustainment and an upturn in i4B's rent collection rates will be evident in the coming months.

6.4.2 The year-to-date rent collection figure for Mears is 92.53%, which falls below the target of 98.5%. Mears manage a portfolio of less than 100 properties and a small number of non-payers are having a significant impact on collection figures. We have assurance that Mears are following the correct escalation procedures, including legal action where necessary.

## 6.5 *Repairs*

6.5.1 In the year to date, 100% of all emergency repairs have been responded to within 24 hours. All urgent repairs have been completed within 7 days, which is above the target of 95% and 29 out of 42 routine repairs were completed, which falls below the target of 95%.

## 6.6 *Mears Contract*

6.6.1 In June 2023 it was agreed that the Mears contract be extended for a further year with a more in-depth review of performance to be carried out in advance of the next potential extension in September 2024 to determine the value for money i4B is receiving from both BHM and Mears.

## 6.7 *Health & Safety Compliance*

6.7.1 As of June 2023, 100% of i4B properties have a valid gas safety certificate.

6.7.2 Compliance and action updates are reported to the i4B Board each month. The latest monthly compliance scorecard reported to the Board is included in Appendix 1.

6.7.3 True Compliance, BHM's new compliance management system, has gone live with the initial reports expected imminently. i4B will track the implementation of True Compliance during 2023-24 and will continue its increased monitoring of health and safety compliance until True Compliance is fully embedded and regular reporting to the Board is in place.

## **7.0 Risk Update**

7.1 The i4B risk register is included in Appendix 2. The main risks the Company faces are detailed below:

- i4B lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
- High void rent loss due to long void turnaround times.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- Substantial variations in inflation and interest rates compared to the business plan adversely affect financial performance and viability.
- Tax inefficiency in the i4B company structure makes property acquisition and decarbonisation works unaffordable

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

scoring in the risk register is as of the last review at August 2023, and is due to be reviewed again for the next Board meeting in October 2023.

## **8.0 Update on the 2023/24 i4B Business Plan**

8.1 The 2023/24 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2023/24 are set out within the framework of the medium to long-term objectives of Brent's Housing Companies. A summary of business plan performance against each objective in the year to date is below.

### *8.2 Increasing the supply of affordable housing in the borough*

8.3 A Strategy session with consultants Red Loft was held in May 2023 to review the market for new build and block acquisition opportunities. The Board agreed that i4B should explore s106 and bulk purchase opportunities where appropriate as well as re-entering the street property market.

### *8.4 Running a viable business*

8.5 In June 2023 a Housing Companies Operational Manager was appointed, who will work with i4B Officers to undertake project work in order to reduce rent arrears across the portfolio.

8.6 The Voids Hit Squad has now been introduced by BHM in an effort to improve void processes and performance times. An analysis of their performance will be carried out in December 2023.

8.7 A company Value for Money Strategy will be presented at the September Board, outlining actions to improve i4B's understanding of current costs and performance, identify actions to improve performance and value for money in key areas of focus, and ultimately improve the company's ability to meet its business plan objectives.

### *8.8 Delivering safe and sustainable homes*

8.9 Health and safety compliance is overseen through both the short-term monitoring tracker and the implementation of True Compliance, which is now live. Initial reports are expected imminently.

8.10 Lexington has been registered on the Government portal as per the requirements of the Building Safety Act and the London Fire Brigade portal registration is in progress.

8.11 Stock condition and energy surveys have been carried out and the final outcomes are pending. Once received, reports will be run to review the energy performance and decarbonisation potential across the stock to inform long-term asset management planning.

8.12 A report on disrepair was presented to the July Board meeting. It demonstrated how BHM is managing disrepair cases and proactively managing damp & mould on behalf of i4B, and summarise live cases.

### 8.13 *Providing a consistently good housing service*

- 8.14 New tenant satisfaction measures have now been implemented and initial findings were presented to Board in July 2023. i4B will review initial results from these surveys as well as transactional feedback from its tenants to identify and carry out any necessary actions to improve tenant satisfaction. In addition to this, in order to enhance complaints oversight and monitoring improvement work to the complaints system is being scoped by consultants.

## **9.0 Update on Governance**

- 9.1 Alongside its monthly internal Board meetings and twice-yearly meetings with the Council as Shareholder, i4B has reported every six months since its inception to the Audit and Standards Advisory Committee (ASAC) on risks, operational & financial performance, and progress in implementing the company's business plan. Following a review of the ASAC's terms of reference, it has been agreed that future reports to the ASAC will be from the Shareholder setting out how assurance to ASAC that its governance arrangements over i4B/FWH remain robust. The next report to the business plan is also approved each year by Cabinet.
- 9.2 On an annual basis, i4B also reviews its compliance with the economic standards set out by the Regulator of Social Housing, in the areas of value for money, rent, governance and financial viability. Actions implemented following the 2022-23 review include the introduction of a Board self-review and appraisal of the chair. The Board also agreed to sign up to the National Housing Federation Code of Governance in June 2023.
- 9.3 i4B also uses the Council's Internal Audit service to carry out audits on areas where it is seeking additional assurance. Recent audits have focused on governance arrangements between the Council and companies, and health and safety compliance.
- 9.4 Since the last report to the Shareholder in January 2023, Phil Porter has stepped down from the i4B Board following his departure from the Council. Melanie Smith, Director of Public Health, has joined the Board.

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 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 26 <sup>th</sup> September 2023
	<b>Report from the Corporate Director of Finance and Resources</b>
	<b>Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources &amp; Reform</b>
<b>Strategic Risk Report</b>	
<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>List of Appendices:</b>	Two: Appendix 1 – Strategic Risk Report Appendix 2 – Risk Management Strategy
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Darren Armstrong, Head of Audit and Investigations <a href="mailto:Darren.Armstrong@Brent.gov.uk">Darren.Armstrong@Brent.gov.uk</a> 020 8937 1751

## 1.0 Executive Summary

- 1.1. This report provides an update on the Council's Strategic Risks as of September 2023. The update has been prepared in consultation with risk leads and the Council Management Team and summarises the risks that are considered to be of an impact and/or likelihood of materialising, and which may have an adverse effect on the achievement of the Council's corporate objectives.
  
- 1.2 The report also presents a new Risk Management Strategy. The strategy seeks to outline the Council's approach to risk management to support a robust and consistent process for managing risk and opportunities.

## 2.0 Recommendation(s)

2.1 The Committee is asked to note the report.

### **3.0 Detail**

#### **3.1 Contribution to Borough Plan Priorities & Strategic Context**

3.1.1 Risk Management is a core element of the Council's corporate governance framework. The primary objective of risk management, as a process, is to identify, assess, manage and control potential events or situations that may prevent the achievement of objectives. The Council's approach to risk management, including the preparing of the Strategic Risk Report, is therefore closely linked and aligned to the Borough Plan priorities and forms an integral part of decision-making, business planning and performance management practices.

3.1.2 The overarching vision of the Risk Management Strategy is to assist the Council with achieving its Borough Plan priorities and objectives through the application of best practice risk management principles.

#### **3.2 Background**

3.2.1 The Strategic Risk Report, attached at Appendix 1, presents the Council's most significant risks which have the potential to significantly impact on the success of the Council as a whole. These risks are strategic, cross-cutting and have the potential to impact a range of different services or functions.

3.2.2 The Strategic Risk Report is owned collectively by the Council Management Team (CMT), with each risk assigned a Corporate Director as risk sponsor. The report is provided via a 'bottom-up' provision of risks from services and departments, which are deemed to require consideration at the higher level. Additionally, risks are also input directly via CMT.

3.2.3 Internal Audit is responsible for working with risk sponsors and nominated risk leads, in an advisory capacity, to review and update all strategic risks.

### **4.0 Strategic Risk Overview**

#### **4.1 Risk Exposure**

4.1.1 The Strategic Risk Report was last updated in February 2023. Since then, the Council has continued to operate in a heightened risk environment owing to a number of external factors, including the current economic climate and the cost of living crisis. The Council's overall risk profile therefore continues to reflect the challenging risk environment the Council is operating in, with eight of the eleven strategic risks sitting outside of their target risk score.

4.1.2 There have been a number of changes to the Strategic Risk Report since the previous iteration, which are described in sections below. Seven of the current strategic risks were reported and reflected in the February 2023 iteration of the report, and of these, six are demonstrating a stable risk trend with scores



remaining consistent with those previously reported. In addition, one risk is showing a small downwards movement in risk score (-4).

4.1.3 Six strategic risks currently sit within the upper quartile of the heat map. The highest scoring risks, each with a risk score of 20, are as follows:

- Risk A. Cost of Living Crisis
- Risk B. Increase in Dedicated Schools Grant High Needs Block Deficit
- Risk C. Lack of Supply of Affordable Accommodation
- Risk D. Increase in the Use of Emergency Temporary Accommodation.

## 4.2 New Risks

4.2.1 Four risks have been added to the Strategic Risk Report.

4.2.2 A risk in relation to the *increase in the use of emergency temporary accommodation (Risk D)* has been added to reflect the growing demand from homeless households, coupled with the lack of affordable accommodation. This is resulting in an increased use of emergency temporary accommodation, at higher rates, which is causing additional pressure on the Council's financial position. This is a 'new' risk that has emerged and materialised since the previous iteration of the report and, due to its evaluated risk score, it has been immediately escalated to the Strategic Risk Report

4.2.3 Three additional risks have been included within the Strategic Risk Report for the first time, as listed below.

- Risk E – Non-compliance with statutory housing duties
- Risk G – Serious child protection incident or wider safeguarding concern
- Risk H – Safeguarding incident – Adults.

4.2.4 Previously these risks had formed part of a wider suite of inherent risks that the Council manages on an ongoing basis, and which were held and monitored at departmental risk register level. However, following a review of how the Council's strategic risks are reflected and presented, and to ensure a consistent approach, these risks have now been added to the Strategic Risk Report. This also helps to further improve alignment between the Council's strategic risks and borough plan priorities.

4.2.5 It is important to note that these three risks are not 'new' risks, nor are they risks that have been escalated to the Strategic Risk Report due to increased risk scores or wider concerns. Instead, reflecting these risks presents a change in approach as part of ongoing efforts to continually improve and enhance the Council's risk management framework.

## 4.3 Closed Risks

4.3.1 One risk has been de-escalated from the Strategic Risk Report since the previous iteration of the report. This risk was in relation to the *increased demand from migration and people movement*, which was added to the Strategic Risk

Report in June 2022 to reflect rising service demand and pressures from increased levels of migration and people movement. The risk score is no longer at a level that requires escalation to the Strategic Risk Report and will now be monitored and reviewed at a departmental level. The risk will continue to be closely monitored and will be re-incorporated back into the Strategic Risk Register if or when deemed to be of a level that exceeds the appropriate tolerance.

#### **4.4 Amendments to Risks**

- 4.4.1 Amendments have been made to the individual risk scores of existing risks, as illustrated by the 'previous' and 'updated' risk score columns. Amendments have also been made to the detailed risk plans (section 4), where appropriate.
- 4.4.2 Target risk scores, which were a new addition to the report in February 2023, reflect the risk score that the Council is working towards achieving or maintaining. There have been no amendments to the target risk scores that were previously set.

#### **4.5 Departmental Risk Registers**

- 4.5.1 All Council departments are responsible for maintaining their departmental risk registers to ensure that all operational risks are effectively managed, and to ensure that risks are escalated to the Strategic Risk Report, via CMT, where risk scores exceed agreed tolerances.
- 4.5.2 To this end, all departmental risk registers were reviewed and updated, as appropriate, prior to preparing the Strategic Risk Report. Internal Audit continues to liaise with all departments to provide risk management support and to assist with the updating of their risk registers. Internal Audit also comment on the completeness and reasonableness of the information provided and use the information within the risk registers to inform their annual and in-year audit planning processes. This helps to ensure that audit resource is effectively targeted at providing assurance on the highest risk areas.

#### **4.6 Risk Management Strategy**

- 4.6.1 The Council's risk management framework has previously been governed and directed by a 'Risk Management Policy and Strategy', which was last updated and published in 2017 and was therefore out of date and in need of review.
- 4.6.2 A new 'Risk Management Strategy' has subsequently been prepared and is attached at Appendix 2. This presents a significant revamp that seeks to outline the Council's approach to risk management, to support a robust and consistent process for managing risks and opportunities. The strategy has been designed to serve as an accessible and practical resource to guide risk management and seeks to embed a culture that exemplifies best practice and high levels of risk maturity.

- 4.6.3 The strategy has been drafted to ensure that the Council's risk management arrangements remain fit for purpose, but also complement other elements of the Council's governance processes.
- 4.6.4 A key addition to the strategy is the articulation of a risk appetite statement (section 2.3). Risk appetite is typically defined as the amount and type of risk that an organisation is willing to take in pursuit of its objectives and is a key component of effective risk management. The risk appetite statement seeks to recognise that delivering the Council's strategic objectives is not without risk and some risks may need to be tolerated in order to innovate and improve. Equally, it is acknowledged that there are some risks that the Council should take every effort in managing and mitigating. The risk appetite statement therefore seeks to strike a balance between the Council's responsibility for managing risks against a need to work flexibly in delivering our strategic ambitions. To this end, the risk appetite statement defines six types of risks that the Council will seek to avoid.
- 4.6.5 Due to the significance and importance of the statement, it is envisaged that this will be reviewed and refreshed at regular intervals, where necessary and independently to the overall strategy, to reflect changes in the Council's risk profile.
- 4.6.6 Other key considerations to the Risk Management Strategy include:
- Risk management principles (section 2.2.) – to guide and underpin an effective risk culture across the Council.
  - Roles and responsibilities (section 2.4) – to provide clarity regarding the roles and responsibilities of various levels and functions.
  - Escalation triggers (section 2.7) – this provides a flexible approach in which departments will be responsible for agreeing escalation triggers specific to their services.
  - Risk management process (section 3) – to guide the end-to-end process for managing all risks.

## **5.0 Stakeholder and ward member consultation and engagement**

5.1 None.

## **6.0 Financial Considerations**

6.1 There are no specific financial implications arising from this report, other than those already set out within the report.

## **7.0 Legal Considerations**

**7.1** All Local Authorities are required to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015:

“A relevant authority must ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.”

**8.0 Equality, Diversity & Inclusion (EDI) Considerations**

8.1 None.

**9.0 Climate Change and Environmental Considerations**

9.1 None

**10.0 Communication Considerations**

10.1 None

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources



# Strategic Risk Update

September 2023

## Contents

1. Risk Evaluation Matrix  
(Page 2)
2. Strategic Risk Heat Map  
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3. Strategic Risk Dashboard  
(Pages 4)
4. Strategic Risk Plans – detailed information and action plans  
(Pages 5-20)

# 1. Risk evaluation matrix

The following impact and likelihood criteria are used to evaluate and articulate the Council’s Strategic Risks.

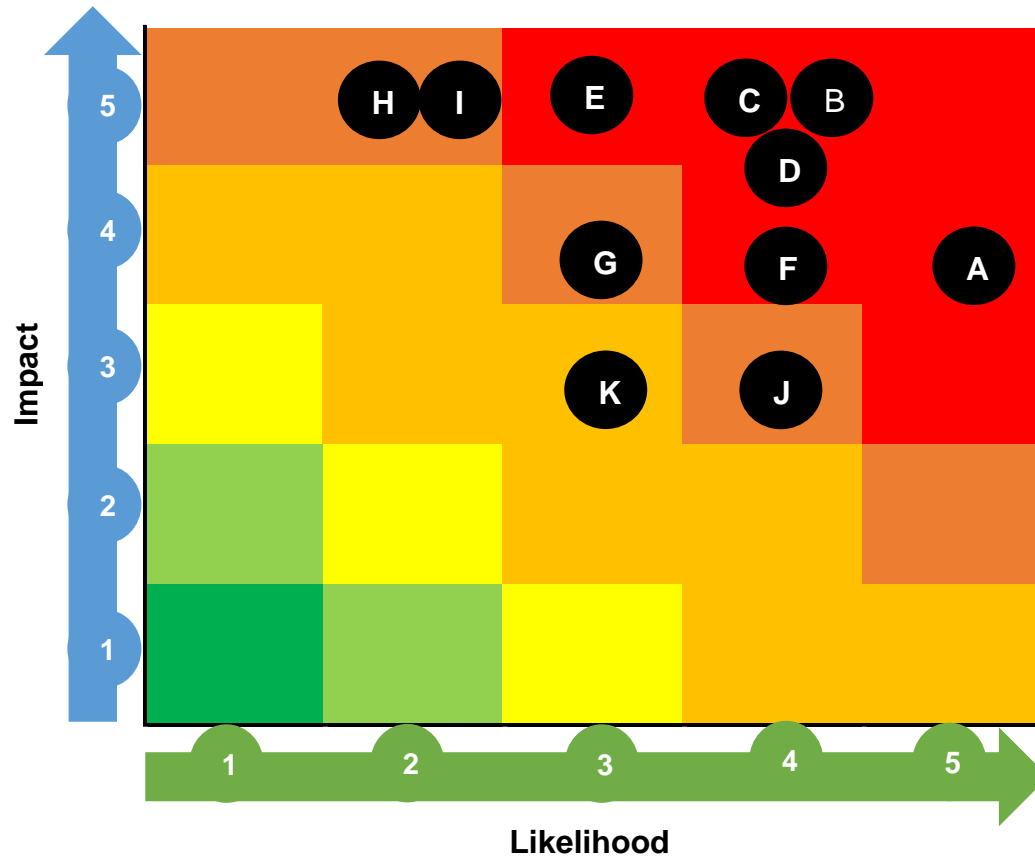
Risk Impact Matrix				
Impact	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Major Financial loss (above £2m)	Major disruption to a number of critical services	Multiple deaths / serious life-changing injuries / extreme safeguarding concerns.	Long term damage – e.g. adverse national publicity.
4	Significant Financial loss (above £1m)	Major disruption to a critical service.	Multiple casualties with life changing injuries / significant safeguarding concerns.	Medium to long term damage – e.g. adverse local publicity.
3	Moderate Financial Loss (less than £1m)	Moderate disruption to a critical service	Moderate risk of injury / noticeable safeguarding risks.	Medium term damage
2	Small Financial loss (less than £500k)	Moderate disruption to an important service.	Low level injuries / safeguarding risks.	Short term damage
1	Minor financial loss (less than £100k)	Brief disruption to important service	No immediate impacts to health or wellbeing	Some damage to specific functions

Risk Likelihood Matrix		
5	Very Likely	This event is expected to occur in most circumstances.
4	Likely	There is a strong possibility this event will occur.
3	Possible	This event might occur at some point and/or there is history of occurrence of this risk at this and/or other Councils.
2	Unlikely	Not expected, but there’s a slight possibility it may occur at some point.
1	Rare	Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will.

## 2. Strategic Risk Heat Map

**Ref Risks**

- A. Cost of living crisis
- B. Increase in Dedicated Schools Grant
- C. High Needs Block (HNB) Deficit
- D. Lack of supply of affordable accommodation
- E. Increase in the use of emergency temporary accommodation
- F. Housing Compliance
- G. Cyber Attacks
- H. Serious child protection incident or wider safeguarding concern
- I. Safeguarding Incident - Adults
- J. Financial Resilience and Sustainability
- K. Recruitment and Retention
- K. Contract Management



### 3. Strategic Risk Dashboard

Ref	Risk Title	CMT Sponsor	Previous Risk Score (January 2023)	Current Risk Score (September 2023)	Trend	Target Risk Score	Difference between current and target score
A.	Cost of Living Crisis	Corporate Director Resident Services	<b>20</b> (I:4 x L:5)	<b>20</b> (I:4 x L:5)	↔	<b>15</b> (I:3 x L:5)	+5
B.	Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit	Corporate Director Children and Young People	<b>25</b> (I:5 x L:5)	<b>20</b> (I:5 x L:4)	↓	<b>16</b> (I:4 x L:4)	+4
C.	Lack of supply of affordable accommodation	Corporate Director Resident Services	<b>20</b> (I:5 x L:4)	<b>20</b> (I:5 x L:4)	↔	<b>10</b> (I:5 x L:2)	+10
D Page 32	Increase in the use of emergency Temporary Accommodation	Corporate Director Resident Services	<i>n/a – new strategic risk</i>	<b>20</b> (I:5 x L:4)	<i>n/a – new strategic risk</i>	<b>10</b> (I:5 x L:2)	+10
	Non-Compliance with Statutory Housing Duties	Corporate Director Resident Services	<i>n/a – new strategic risk</i>	<b>15</b> (I:5 x L:3)	<i>n/a – new strategic risk</i>	<b>5</b> (I:5 x L:1)	+10
F.	Cyber Attacks	Corporate Director Finance and Resources	<b>16</b> (I:4 x L:4)	<b>16</b> (I:4 x L:4)	↔	<b>12</b> (I:3 x L:4)	+4
G.	Serious child protection incident or wider safeguarding concern	Corporate Director Children and Young People	<i>n/a – new strategic risk</i>	<b>12</b> (I:4 x L:3)	<i>n/a – new strategic risk</i>	<b>12</b> (I:4 x L:3)	=
H.	Safeguarding Incident - Adults	Corporate Director Adult Social Care and Public Health	<i>n/a – new strategic risk</i>	<b>10</b> (I:5 x L:2)	<i>n/a – new strategic risk</i>	<b>10</b> (I:5 x L:2)	=
I.	Financial Resilience and Sustainability	Corporate Director Finance and Resources	<b>10</b> (I:5 x L:2)	<b>10</b> (I:5 x L:2)	↔	<b>10</b> (I:5 x L:2)	=
J.	Recruitment and Retention	Corporate Director Governance	<b>12</b> (I:3 x L:4)	<b>12</b> (I:3 x L:4)	↔	<b>6</b> (I:3 x L:2)	+6
I.	Contract Management	Corporate Director Governance	<b>9</b> (I:3 x L:3)	<b>9</b> (I:3 x L:3)	↔	<b>6</b> (I:3 x L:2)	+3



## 4. Strategic Risks Plans – detailed information and action plans

Key: Cause, event, consequence

A. Cost of living crisis			
Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>The cost of living crisis caused by the war in Ukraine, Covid-19, Brexit and high rates of inflation impacts on Brent residents resulting in more families and households falling into hardship, leading to increased levels of service demand on the Council and additional pressure on front-line services.</p>	<p>The cost of living crisis has continued to have an impact on the residents of Brent and the Council is committed to doing what it can to support those in greatest need. Inflation has continued to increase and this has affected the cost of food and fuel. The impact on Brent, with its higher than average unemployment levels and lower wages for those in employment, is particularly severe.</p> <p>Service demand continues to rise with particular pressures on adults' and children's social care. Pressure on the homelessness service has also increased considerably, with an 122% increase in demand from families and single people who are either threatened with homelessness, or actually homeless from 2021/22 (2,936 applications) to 2022/23 (6,529 applications).</p> <p>The support services we have in place, including food and fuel support and the Resident Support Fund (RSF) are continuing to be well used. The RSF has supported 7,930 households with the cost of living in the period from August 2020 to March 2023. Support can be provided for household bills, arrears in rent, mortgage, Council Tax, food, fuel, digital equipment and emergency funds. The Government's Household Support Fund has been used to provide support with the cost of food and fuel. During 2022-23 the Council supported 94,000 households with a £150 rebate, funded by Government grants, to help with the cost of energy bills. 27,014 households were receiving Council Tax Support as of 31 May 2023 and the total support provided in 2023-24 is forecast to be around £32.8m.</p> <p>Demand for support from Brent Hubs continues to be high, most common needs which residents present with at the Hubs are food and fuel support (25%), housing costs (18%), homelessness (11%), form filling – such as RSF applications (16%), debt and money (7%), welfare benefits (7%), and other, for example, employment, general support, immigration etc (16%). VCS services are also seeing high demand.</p>	<p><b>Previous:</b>  <b>I: 4</b>  <b>L: 5</b>  <b>T: 20</b></p> <p><b>Current:</b>  <b>I: 4</b>  <b>L: 5</b>  <b>T: 20</b></p> <p><b>Target:</b>  <b>I: 3</b>  <b>L: 5</b>  <b>T: 15</b></p>	<ul style="list-style-type: none"> <li>➤ The Brent RSF has been in place since August 2020. Up to £3m is available via the RSF in 2023-24 along with approx. £5.6m from the Government Housing Support and Family Food funds. Other support has been provided via government grants and the Council Tax Support scheme.</li> <li>➤ A cross council steering group, chaired by the Corporate Director for Resident Services, is in place to oversee the Council's response with a wide range of support measures already in place.</li> <li>➤ A range of support has been put in place including a food and fuel poverty toolkit, the Brent Well and Warm scheme and warm spaces.</li> <li>➤ As part of the Cost of Living Outcome Based review, a number of interventions are being tested including a community shop and kitchen based support scheme, a crisis response fund, and additional debt and immigration advice provision. This work will feed into the development of a new approach to Resident Support (see action 5 below)</li> <li>➤ A Financial Inclusion Dashboard has been developed which draws together data from across various datasets, including council tax support and benefits. This is used to identify</li> </ul>

	<p>A number of interventions are being tested as part of the Cost of Living outcome based review work. Evaluation will feed into development of options for resident support which will move from a focus on crisis support (based on Government grant funding) to a model which provides residents with the tools and support to improve their situation in the longer term.</p>		<p>residents who may need targeted supports (i.e. in arrears). It also provides a strategic oversight for senior management.</p>
<p><b>Action Plan</b></p>		<p><b>CMT Sponsor: Corporate Director Resident Services</b></p>	
<ol style="list-style-type: none"> <li>1. To complete and evaluate a prototype wellbeing scheme based around a community shop and kitchen and use learning from this to develop longer term approaches (by November 2023).</li> <li>2. To complete and evaluate a scheme to enable front line organisations to support residents in urgent need of access to support (by November 2023).</li> <li>3. To prototype a training programme for frontline council and partner organisation staff to enable them to better spot signs of hardship and to refer to appropriate support. Alongside this, to increase the capacity for specialist money, and debt and immigration advice and support in Brent (By November 2023).</li> <li>4. To continue to enhance the FI Dashboard by adding additional data sets and using this (as well as using data from the 2021 Census) to get a better understanding of the impact of the crisis in Brent and to target residents in need of support (by March 2024).</li> <li>5. To develop a proposed future model for Resident Support, using learning from the prototyping activity, which will move from a focus on crisis support (based on Government grant funding) to a model which provides residents with the tools and support to improve their situation in the longer term (By November 2023).</li> </ol>			

## B. Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>There is a risk that current deficit will continue to rise due to an increase in the number of children needing Education and Health Care Plans (EHCP). This could have an adverse impact on the ability to meet the needs of pupils who require special educational support and the Council's legal obligation to meet the educational needs of children in the borough. There is also likely to be an adverse impact on the ability to meet the DfE's requirement to produce a balanced DSG budget.</p>	<p>At the end of the financial year 2022/23 the overall DSG deficit due to pressures in the High Needs Block was £13.8m, a reduction from the 2021/22 end of year position of £15.1m. The High Needs Block contribution to the reduction was £0.3m in response to a range of actions, including tighter financial management controls to ensure full cost recovery from other local authorities that place pupils in Brent special schools. However, cost avoidance continues to be required over the next 5 years, despite an increase of 10% of HNB funding in 2023/24. The LA's modelling includes a forecast assumption of an increase of 8% in HNB funding in 2024/25 and 3% thereafter.</p> <p>The current Management Plan assumes a slowdown in the growth of EHCPs from 16% to 7% in response to a range of targeted actions. The department continues to progress against the themes of the Management Plan, which are Managing Demand, Improving Sufficiency of Places and Financial Management. The forecast for the mitigating actions and cost avoidance actions in the Management Plan, which have been quantified, will realise a reduction in spend of circa £8m by 2025-26. However, a reduction in the HNB funding in future years would have an impact on the reduction against the cumulative deficit if demand for EHCPs continues to grow.</p> <p>The Council is participating in the Department for Education Delivering Better Value in SEND support programme (DBV), that commenced in autumn 2022. The DBV is a 3 year transformation programme aimed at supporting 55 local authorities with substantial deficit issues to reform their high needs systems. A comprehensive diagnostic process has been undertaken to identify the underlying cost drivers of the high needs system and potential reforms to manage/mitigate these cost drivers more effectively. The DfE has provided Brent with £1m grant funding to pilot and implement system changes aimed at realising efficiencies.</p> <p>There is limited opportunity to recover the historical deficit. This is due to the insufficient resources allocated to implement the Children and Family Act legislation in 2015. However, this is a national issue. The regulations that are in place to carry forward a deficit balance against the DSG were due to end in 2022/23. However, this statutory override has been extended for another three years until 2025/26.</p>	<p><b>Previous:</b>  <b>I: 5</b>  <b>L: 5</b>  <b>T: 25</b></p> <p><b>Current:</b>  <b>I: 5</b>  <b>L: 4</b>  <b>T: 20</b></p> <p><b>Target:</b>  <b>I: 4</b>  <b>L: 4</b>  <b>T: 16</b></p>	<ul style="list-style-type: none"> <li>➤ Bi-Monthly task group led by Corporate Directors of CYP and Finance, the DSG management plan is realising some traction. There was no in-year deficit in 2022/23 despite additional cost burdens for special school staffing and pensions being funded through the HNB.</li> <li>➤ A tighter oversight of the criteria of EHCP assessments and plans, including annual reviews, will support demand management.</li> <li>➤ Brent's participation in the Delivering Better Value (DBV) programme. DBV analysis has demonstrated the impact of management controls – placement moves and number of EHCP – over the last 12 months. This will continue to be monitored as the DBV programme progresses.</li> </ul>

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**Action Plan****CMT Sponsor: Corporate Director Children and Young People**

To reduce costs to set an in year balanced budget and then start to recover the cumulative deficit through:

1. Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh, including developing new Additionally Resourced Provisions in the academic years 2023/2024- 2024/25. This will reduce the need for young people to be placed in schools in other boroughs and in high cost non-maintained independent special schools.
2. As part of the DBV programme the council has been awarded £1m non-recurrent grant to pump prime a change programme in Brent over the 2023/24 and 2024/25 financial years. The programme of activity includes piloting an early targeted intervention programme for children under 7; a new quality assurance team; a review of banding costs and new commissioning approaches. The programme is overseen by the Corporate Director of Children and Young People and Corporate Director of Resources.
3. The introduction of the SEN Support service with the expectation to manage demand, as part of the Graduated Response Programme; improved quality EHCP assessment; and person centred planning and SMART annual reviews. Therefore, young people will be provided with earlier support, thereby reducing the need for an EHCP to trigger additional support. £0.5m has been approved by the Schools Forum for SEN Support.
4. Continued tighter financial management controls.
5. Continued central government lobbying.

## C. Lack of supply of affordable accommodation

Risk Summary	Risk update (recent developments, progress, and concerns)	Risk Scores	Existing Controls:
<p><b>There is a risk that because of the limited supply of affordable accommodation, in the PRS, settled Temporary Accommodation (TA) and Social Housing, there is insufficient supply of accommodation to meet the demand from homeless households and meet statutory duties. This has led to greater reliance on emergency temporary accommodation, which is having an impact on the wellbeing and quality of life for residents and is also an additional burden on the general fund.</b></p>	<p>The Housing Needs Service has seen a 122% increase in demand from families and single people who are either threatened with homelessness, or homeless from 2021/22 (2,936 applications) to 2022/23 (6,529 applications). Whilst the COVID – 19 pandemic, associated lockdowns and the ban on Private Rented Sector (PRS) evictions may have been a factor in this growth, demand for homelessness services continues to grow. There has been a 24% increase in demand in Q1 of 2023/24, compared with the same quarter last year. If demand continues at the same rate, the service will receive a total of 7,700 applications in 2023/24, an average of 148 applications every week.</p> <p>This increase in demand is being driven by affordability issues and rising rents. The fact that Local Housing Allowance (LHA) rates have been frozen since April 2020, has significantly reduced the number of properties affordable in London under LHA. Between January and March 2023, only 2.3 per cent of London listings on Rightmove were affordable to people using benefits to pay their rent – falling from 18.9 per cent in 2020-21. The use of PRS properties are essential to help meet demand from homeless households. However. Rental listings have fallen across London, the overall reduction is 41 per cent down on the 2017 average, making it increasingly difficult to procure PRS properties to prevent or relieve homelessness as well as ending the main homelessness duty to move people on from TA.</p> <p>The greatest control we can exert on the model is building new Council-owned supply, and encouraging RSLs to build what we need. We can also exert control through social housing re-lets/voids, and private rented sector offers. The Housing Needs Team also support households to secure work, and to improve their economic circumstances as well as help at an earlier stage, to prevent homelessness. However, this is becoming increasingly more difficult due high demand and the lack of supply of affordable accommodation.</p> <p>The New Council Home Programme is under pressure financially due to significant changes in the market (both inflation and cost rises). As a result, the Council is having to consider cross subsidising schemes by converting some homes to shared ownership, reducing the number of homes available for homeless households.</p>	<p><b>Previous:</b>  <b>I: 5</b>  <b>L: 4</b>  <b>T: 20</b></p> <p><b>Current:</b>  <b>I: 5</b>  <b>L: 4</b>  <b>T: 20</b></p> <p><b>Target:</b>  <b>I: 5</b>  <b>L: 2</b>  <b>T: 10</b></p>	<ul style="list-style-type: none"> <li>➤ A Housing Needs group, chaired by the Head of Housing Needs, is in place to monitor the Council's use of emergency accommodation.</li> <li>➤ Homelessness services focused on prevention to decrease demand.</li> <li>➤ Brent is a founder member of Capital Letters to increase supply of affordable PRS accommodation.</li> <li>➤ I4B created to increase supply of affordable PRS accommodation.</li> <li>➤ Two purpose built emergency TA schemes delivered, with a third due to be delivered in 2025.</li> </ul>
<b>Action Plan</b>		<b>CMT Sponsor: Corporate Director Resident Services</b>	
<ol style="list-style-type: none"> <li>1. To continue delivering the New Council Homes Programme to increase supply of affordable homes.</li> <li>2. To continue to acquire street properties through i4B.</li> <li>3. To ensure completion of a new temporary accommodation scheme that would provide an additional 100 units of temporary accommodation.</li> <li>4. To continue to work with Private Sector property owners to procure affordable accommodation.</li> </ol>			

5. Continued emphasis on the prevention of homelessness and promote the Find Your Home scheme to encourage households who are threatened with homelessness to source their own PRS accommodation.
6. Determine the financial viability of bringing empty properties on the South Kilburn Regeneration scheme back into use as TA.

## D. Increase in the use of emergency Temporary Accommodation

Risk Summary	Risk update (recent developments, progress, and concerns)	Risk Scores	Existing Controls:
<p><b>There is a risk that because of increased demand from homeless households coupled with a lack of supply of affordable accommodation, there is an increased use of emergency Temporary Accommodation (TA). This greater reliance on nightly paid emergency temporary accommodation is leading to increased pressure on the Council's financial position via a projected revenue overspend and a subsidy loss.</b></p>	<p>Once the Council accepts that a household is Eligible, Homeless, and in Priority Need, as defined by legislation, there is an immediate statutory duty to secure suitable interim accommodation, pending further enquiries into the application. All families, with dependent children are automatically in Priority Need, and therefore trigger the duty to secure suitable interim accommodation. Other people must prove they are 'vulnerable,' which means they would be at much greater risk of harm than most people if they become homeless. Therefore, single people who meet this vulnerability test trigger the duty to secure suitable interim accommodation.</p> <p>Once enquiries are complete and the main homelessness duty is accepted, the household is usually moved on into either a Private Rented Sector (PRS) property to end their homelessness, or into settled TA (leased from private owners). However, there has been a severe contraction of affordable PRS properties that are available, which coupled with increased demand from homeless households, has led to a silting up of emergency TA.</p> <p>As these issues are London wide, the availability of B&amp;B and Annexe accommodation is severely restricted across the Capital, with many Councils being forced to book rooms in commercial hotels such as the Travelodge, to meet statutory duties. This lack of availability of accommodation has resulted in the service using an accommodation provider in High Wycombe, at higher rates than we would normally pay. This is leading to a projected overspend of £5.1m, as well as projected subsidy loss of £7.5m.</p> <p>Another important consequence is that non-self-contained accommodation is not deemed as suitable accommodation, for the purpose of the Homelessness (Suitability of Accommodation) (England) Order 2003, for a homeless applicant who is pregnant or has children in his / her household for a period longer than 6 weeks. The Council is currently in breach of this Suitability of Accommodation Order, with over 40 families currently in B&amp;B accommodation for over 6 weeks and this number continues to grow.</p>	<p><b>Previous:</b> n/a – new risk</p> <p><b>Current:</b> I: 5 L: 4 T: 20</p> <p><b>Target:</b> I: 5 L: 2 T: 10</p>	<ul style="list-style-type: none"> <li>➤ A Housing Needs group, chaired by the Head of Housing Needs, is in place to monitor the Council's use of emergency accommodation.</li> <li>➤ Homelessness services focused on prevention to decrease demand.</li> <li>➤ Brent is a founder member of Capital Letters to increase supply of affordable PRS accommodation.</li> <li>➤ I4B created to increase supply of affordable PRS accommodation.</li> <li>➤ 2 purpose built emergency TA schemes delivered, with a third due to be delivered in 2025.</li> <li>➤ The cohort of families in B&amp;B over 6 weeks is closely monitored at a bi-weekly meeting on the use of emergency TA, where officers ensure that any self-contained rooms that become available, are allocated to these families.</li> </ul>
<b>Action Plan</b>		<b>CMT Sponsor: Corporate Director Resident Services</b>	
<ol style="list-style-type: none"> <li>1. To continue delivering the New Council Homes Programme to increase supply of affordable homes.</li> <li>2. To continue to acquire street properties through i4B.</li> <li>3. To continue to work with Private Sector property owners to procure affordable accommodation.</li> </ol>			

4. Continued emphasis on the prevention of homelessness and promote the Find Your Home scheme to encourage households who are threatened with homelessness to source their own PRS accommodation.
5. Determine the financial viability of bringing empty properties on the South Kilburn Regeneration scheme back into use as TA.
6. Ensure 100% of households living in TA have a live Housing Benefit claim to maximize income.



## E. Non-compliance with Statutory Housing Duties

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p style="color: green; font-weight: bold;">Failure to comply with statutory Housing management service requirements and deadlines, may result in a serious health and safety incident, which may lead to serious injuries and/or fatalities, reputational damage, fines and/or imprisonment.</p>	<p>As a landlord we have to ensure we are complying with all of our statutory duties and health and safety compliance particularly Fire, Legionella, Asbestos, Gas and Electric (FLAGE) form part of those duties. Failure in any of the areas would be a breach of the consumer standards and the Council would be subject to sanctions from the Regulator of Social Housing (RSH).</p> <p>Following the Grenfell Tower inquiry findings published in October 2019, there was a number of recommendations made to prevent such a tragedy from ever happening again. The Government undertook to introduce new regulations based on these recommendations. These regulations take the form of the Fire Safety (England) Regulations 2022 and extend duties imposed by the Regulatory Reform (Fire Safety) Order 2005.</p> <p>The Building Safety Act 2022 was introduced to improve the housing safety standards for residents giving them more rights and protections. The Building Safety Regulator (BSR) will oversee the safety and performance of all buildings with a special focus on high rise buildings.</p> <p>The above have stipulated actions that have to be completed by certain deadlines to show assurance that our buildings are safe and to avoid any further actions by the Building Safety Regulator. One example is the preparation of Building Safety Cases for our 41 High Rise Blocks by April 2024.</p> <p>We have introduced centralised compliance system to help monitor health and safety compliance. We are currently working to the deadlines of the Building Safety Act 2022 and the Fire Safety Regulation 2022. We have not been successful in the permanent recruitment of our Strategic Compliance Manager or Building Safety Manager posts, which are key post in delivering the above legislation. However, we have an Interim Strategic Compliance Manager started in September.</p>	<p><b>Previous:</b> n/a – <b>new risk</b></p> <p><b>Current:</b> <b>I: 5</b> <b>L: 3</b> <b>T: 15</b></p> <p><b>Target:</b> <b>I: 5</b> <b>L: 1</b> <b>T: 5</b></p>	<ul style="list-style-type: none"> <li>➤ Monthly compliance reporting to DMT.</li> <li>➤ Monthly Building Safety Action Plan monitoring in HMB</li> <li>➤ Weekly Building Safety Action Plan monitoring.</li> <li>➤ CMT bimonthly monitoring of Building Safety Action Plan.</li> <li>➤ Quarterly compliance updates to RSH</li> </ul>

<b>Action Plan</b>	<b>CMT Sponsor: Corporate Director Resident Services</b>
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1. Establish an operational working group for all key officers to oversee the response to the Building Safety Act and Fire Safety Regulations (by September 2023).
2. Develop process for updating the vulnerable tenants list in secure boxes and providing evacuation information directly to all residents every 12 months (by September 2023).
3. Register all required buildings with the Building Safety Regulator including structural and safety data (by September 2023).
4. Ensure all compliance information is uploaded to True Compliance so it can be easily reported. (by September 2023)
5. Provide building safety case reports for all high-risk buildings (by April 2024)
6. Agree a joint strategy corporately for all new buildings to ensure Golden Thread/BIM information is available to BHM through one system (by December 2023)
7. Develop building safety engagement plans for all high-risk blocks which include how and when updates and information will be provided, and residents will be engaged with re. building safety decisions. Share engagement plan with all residents aged 16+ and agree schedule for review (by November 2023).

## F. Cyber Attacks

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p style="color: green; font-weight: bold;">There is a heightened threat of Cyber-attacks. If attackers were successful, this would potentially impact all services, to the extent that service provision would be significantly affected in the first instance. Sensitive data may be published online resulting in significant reputational damage to the Council.</p>	<p>Several Councils have been subject to Cyber-attacks. The Cabinet Office are advising that there is a heightened security risk level at the current time. Shared Technology Services (STS) and strategic partners have deployed technologies and processes to enhance our cyber protection. The protection in place for the Council to prevent an intrusion is considered high however, recent attacks impacting councils and other public sector organisations have targeted backup systems and third party suppliers. STS and Brent have cyber strategies in place and are in the process of updating those strategies in light of the prevailing threats. Considerable investment has been made to improve cyber security; implementing a new backup solution and additional controls around the backup process, including taking and storing offline backups for added security.</p> <p>However, the level and type of threat continues to evolve, shifting our focus to perimeter monitoring and protection. Learning from recent security exercises have been used to develop new plans to mitigate attacks, enabling Brent to better manage incidents when they arise. Brent will continue to work with strategic partners to combat cyber-security threats.</p> <p>Brent continues to benchmark its approach and learn from the experiences of others. A recent Cyber 360 review by the LGA included positive feedback about the cyber security culture and governance within the council.</p>	<p><b>Previous:</b>  <b>I: 4</b>  <b>L: 4</b>  <b>T: 16</b></p> <p><b>Current:</b>  <b>I: 4</b>  <b>L: 4</b>  <b>T: 16</b></p> <p><b>Target:</b>  <b>I: 3</b>  <b>L: 4</b>  <b>T: 12</b></p>	<ul style="list-style-type: none"> <li>➤ Implemented tools to monitoring and detects abnormal activity.</li> <li>➤ Security Logging and Endpoint Management.</li> <li>➤ Enhanced awareness and training across specialist IT and all Brent users.</li> <li>➤ Continuous development and testing of Cyber Playbooks.</li> <li>➤ Developing strategic partnership with third party security specialists.</li> <li>➤ investment in an enhanced backup solution.</li> </ul>

<b>Action Plan</b>	<b>CMT Sponsor: Corporate Director Finance and Resources</b>
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1. We have now implemented a suite of tools (enabled in part by the recent investment in M365 E5 licenses), allowing greater security logging and event management through a centralised alerting platform.
2. Develop cyber security monitoring capabilities of on-premise, cloud-based systems and third party environment.
3. Arranging a table-top exercise for our Cyber Playbooks with executive level involvement.
4. Enhanced training for IT staff within STS and Brent IT teams on cyber, security and technology.
5. Carry out independent peer reviews of Tier 1 systems.
6. Test disaster recovery of key line of business systems.
7. Obtain supply chain cyber security assurance from application vendors.

## G. Risk of a serious child protection incident or wider safeguarding concern involving children and young people

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p style="color: green; font-weight: bold;">There is a risk of a serious child protection incident or wider safeguarding concern involving children and young people due to increased demand and/or a failure in quality assurance processes. This could have an adverse impact on multi-agency partnership working, community confidence in local safeguarding practice, weakening of existing systems resulting in a downgrading of the local authority's Ofsted rating and pressure on the departmental budget to mitigate for any wider system failure.</p>	<p>The ILACS Inspection of CYP took place in February 2023 and judged the service to be Good in all areas including overall effectiveness. A Practice Improvement Plan is in place to ensure that the service continues to improve and updates provided to senior leaders on a regular basis to check that progress and impact is on track. This is supported by strong multi agency working, both at an operational level about individual children and via the various strategic forums in place.</p> <p>Demand for services and the complexity of work has increased following the pandemic. There are controls in place to ensure that caseloads are kept at manageable levels coupled with strong management support, training and reflective supervision of staff. This is further strengthened with an ongoing programme of quality assurance activity and regular briefings on high profile incidents and referrals.</p> <p>There is a national shortage of social workers and high usage of agency staff as a result. The London Pledge is in place to maintain the consistency of agency rates being applied. There are a range of initiatives in place to recruit and retain permanent staff supported by a Workforce Development Plan, and a Workforce Development Group chaired by the Corporate Director of CYP. This includes a grow your own programme, step up to social work scheme and international recruitment from India.</p> <p>There is an overspend on the staffing budgets in social care teams due to the high use of agency staff. An Establishment Board is in place, chaired by the Director of Integration and Improved Outcomes to monitor spend against established posts with controls in place to prevent over establishment recruitment taking place. This is enabling a tighter grip on recruitment and providing opportunities to target agency staff for agency to permanent recruitment, as well as helping to shape recruitment campaigns in specific difficult to recruit areas. This in turn will achieve cost avoidance and reduce the current overspend on staffing. Seven agency staff have so far converted to permanent roles this year.</p>	<p><b>Previous:</b> <i>n/a – new strategic risk</i></p> <p><b>Current:</b> I: 4 L: 3 T: 12</p> <p><b>Target:</b> I: 4 L: 3 T: 12</p>	<ul style="list-style-type: none"> <li>➤ Bi-Monthly Workforce Development Group chaired by the Corporate Director of CYP to monitor initiatives in the Workforce Development Plan.</li> <li>➤ A weekly Establishment Board to ensure tighter oversight of recruitment of posts against the establishment and available budget.</li> <li>➤ Brent's participation in the London Pledge for agency staff recruitment to maintain day rates at agreed levels.</li> <li>➤ Practice improvement plan and implementation of existing quality assurance framework.</li> </ul>
<b>Action Plan</b>		<b>CMT Sponsor: Corporate Director Children and Young People</b>	
<ol style="list-style-type: none"> <li>1. Monthly monitoring of performance data to review demand, trends, throughput of casework and caseloads. Exception reporting on areas where there is pressure or work in the system that is performing below expected targets with additional monitoring in place.</li> <li>2. Learning on complex and high profile cases within service areas and within the existing safeguarding partnership structures.</li> <li>3. Targeted recruitment campaigns and continued focus on agency to permanent recruitment.</li> <li>4. Continued tighter financial management controls.</li> </ol>			

## H. Safeguarding Incident - Adults

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p><b>There is a risk that there is a serious safeguarding incident involving a vulnerable adult in Brent, meaning the Council would be required to investigate and respond, and minimise the risk to the individual wherever possible. Depending on the incident and response, this may attract adverse publicity and/or require a Safeguarding Adults Review.</b></p>	<p>ASC have a Safeguarding Adult Team that operate according to the Pan-London Safeguarding procedures, and who have been recently audited and found to have no significant areas of concern. The service works to minimise safeguarding concerns and prevent abuse wherever possible, however there is a realistic acceptance that not all safeguarding incidents can be avoided.</p> <p>There has been a sustained increase in referrals to the Safeguarding service since the relaxing of Covid lock-down measures which has put the team under considerable pressure to respond within the necessary timeframes.</p> <p>Safeguarding is often termed to be 'everybody's business' and requires robust information sharing to ensure the statutory criteria for decision making is evidenced. Previous Safeguarding Adult Review (SAR) recommendations from 11<sup>th</sup> June 2019 have suggested in response to Adult B that Brent continues to collaborate with partner agencies and ensuring a co-production approach is maintained whenever possible, in line with commissioning services. Brent will need to continue to establish core-working relationships, and effective and creative care planning. It must also look to address the recording of information particularly safeguarding concerns and the way in which these are triaged. It must correlate with current GDPR and Equality Rights legislation by Adults Social Care officers. These areas are continually under review and work is ongoing. Not doing this could result in an increase in cross agency failing vulnerable adults within Brent.</p> <p>The challenges faced by services involved in safeguarding, noting the Board is to continually have a focus on obtaining assurances that all agencies continued to work effectively together, to ensure all adult safeguarding needs are met and continues to be managed effectively. If this is not done there is a risk of cases falling through the net and could result in incidence of near misses or untimely death.</p>	<p><b>Previous:</b> n/a – new strategic risk</p> <p><b>Current:</b> I: 5 L: 2 T: 10</p> <p><b>Target:</b> I: 5 L: 2 T: 10</p>	<ul style="list-style-type: none"> <li>➤ There is a Safeguarding Adult Board in place, and it has an independent chair.</li> <li>➤ The board set Annual priorities that are analysed across the system over the year.</li> <li>➤ There is a Safeguarding Adults Review (SAR) Group in place that review all serious concerns and may recommend the case has a full review. These SAR enables the system to learn from any failings or near misses.</li> <li>➤ Practice Audits are in place to drive a culture of personal and collective responsibilities and to identify areas for development across the service.</li> <li>➤ The SAB has a responsibility to coordinate appropriate SA training for all partners annually.</li> <li>➤ In addition, ASC commission SA training for staff based on training needs.</li> </ul>
<b>Action Plan</b>		<b>CMT Sponsor: Corporate Director ASC and Health</b>	
<ol style="list-style-type: none"> <li>1. The Department are due to undertake a 'Safety' self-assessment using the CQC framework to assure itself it has safe systems in place.</li> <li>2. We have commissioned a Safeguarding review across the service, feedback will form our Safeguarding improvement plan</li> </ol>			

# I. Financial Resilience and Sustainability

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p>The budget setting process may not account for emerging unknowns and/or there may be delays in delivering planned savings, which may impact on the Council's overall financial resilience and sustainability. This may result in the Council not having sufficient resources to fund all of its priorities or needing to find further savings to meet budget gaps.</p>	<p>Since 2010, Brent has delivered total cumulative savings of £196m. In 2021/22 and 2022/23, the Council saved £11.2m. £18m of savings are planned to be made in 2023/24 and 2024/25. In July 2023, the Corporate Director of Finance and Resources reported to Cabinet the overall financial position of the Council whilst highlighting the significant risks, issues and uncertainties with regards to the Council's Medium Term Financial Strategy (MTFS) caused by economic turmoil resulting from war in Ukraine, high levels of inflation, rising interest rates, increased demand for key services, the effects of the cost-of-living crisis and uncertainty in government funding.</p> <p>The welcome decision by the government to provide two-year projections of government funding means that the Council can revert to its customary practice of setting a two-year budget covering 2024/25 and 2025/26. The high-level of uncertainty over the economic environment and the future funding of local government makes long-term financial planning difficult. As 2025/26 is an election year, the current budget plan front-loads the savings requirement. The current working assumption is that £8m of savings will be required between 2024/25 to 2025/26 to balance the budgets of those years. The exact gap is inherently uncertain, simply because of the number of variables to be estimated and the difficulty of doing so over longer periods of time. The accuracy of this is probably at best +/- 20%, and wider variations are entirely plausible.</p> <p>The new package of savings required to balance the budget for 2024/25 and 2025/26 will be the cornerstone of the Council's MTFS as it demonstrates that the Council is able to operate in a financially sustainable and resilient way.</p> <p>The Council monitors the delivery of planned savings, and mitigating actions where relevant, on a quarterly basis and these are reported to CMT and Cabinet. The significance of the financial risks cannot be underestimated and measures are being taken to ensure that the Council continues to operate in a financially sustainable and resilient way.</p>	<p><b>Previous:</b>  <b>I: 5</b>  <b>L: 2</b>  <b>T: 10</b></p> <p><b>Current:</b>  <b>I: 5</b>  <b>L: 2</b>  <b>T: 10</b></p> <p><b>Target:</b>  <b>I: 5</b>  <b>L: 1</b>  <b>T: 5</b></p>	<ul style="list-style-type: none"> <li>➤ Each department monitors the delivery of planned savings, and mitigating actions where relevant, at its DMT.</li> <li>➤ A Savings Tracker is reported to CMT and Cabinet.</li> <li>➤ Savings proposals are subject to challenge and review prior to inclusion in the budget.</li> <li>➤ Review of fees and charges and challenge of income assumptions. Workshops to review growth and savings proposals for realism and deliverability.</li> <li>➤ Regular update reports to members on the economic environment and national and local challenges facing the Council.</li> </ul>

**Action Plan** **CMT Sponsor: Corporate Director Finance and Resources**

1. To continue the ongoing robust budget monitoring regime and framework.
2. To set up a Budget Assurance Panel to provide oversight and scrutiny of its financial position, including in-year budget pressures and issues, mitigating actions and the delivery of agreed savings.

## J. Recruitment and Retention

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p><b>Failure to recruit and retain sufficient permanent staff to a significant number of posts, including senior managers, leaves services without sufficient and/or sufficiently qualified staff leading to services being impaired and an overreliance on agency/interim staff.</b></p>	<p>Since a sharp increase in staff turnover in the first 3 months of 2022, this rate has persisted. We are also experiencing increasing challenges in recruitment, particularly in respect of traditionally hard to recruit sectors but also some roles in Housing and Finance. This is believed to reflect the increased aspirations of applicants in respect of their employment following the changes in the work environment during and since the pandemic and due to the current cost of living crisis.</p>	<p><b>Previous:</b>  <b>I: 3</b>  <b>L: 4</b>  <b>T: 12</b></p> <p><b>Current:</b>  <b>I: 3</b>  <b>L: 4</b>  <b>T: 12</b></p> <p><b>Target:</b>  <b>I: 3</b>  <b>L: 2</b>  <b>T: 6</b></p>	<ul style="list-style-type: none"> <li>➤ A range of potential incentives have been implemented, including financial supplements that can be applied to 'hard to fill' posts, overseas recruitment and the Key Worker housing scheme.</li> <li>➤ A number of new 'grow your own' incentives in Learning and Development have also been implemented, including coaching and mentoring programmes, leadership and development programmes, and expanding the upskilling of apprenticeships.</li> <li>➤ Operationally, the new Oracle recruitment system is now in place which makes it easier for Managers to use, but also provides a better and more user-friendly experience for applicants.</li> <li>➤ A new arrangement has been agreed with LinkedIn to promote Council adverts and vacancies.</li> <li>➤ We have managed service provision for the supply of agency staff to mitigate the risks to services of vacancies while controlling cost and arrangements for approval of off contract spend.</li> <li>➤ Head-hunting also continues via the MSP and external recruitment agencies for specialist/hard to recruit to roles.</li> </ul>
<b>Action Plan</b>		<b>CMT Sponsor: Corporate Director Governance</b>	
<ol style="list-style-type: none"> <li>1. Working with job board providers to maximise the functionality on offer to increase the profile of jobs at Brent.</li> <li>2. Review of recruitment team operating model to increase the focus on direct sourcing activity.</li> <li>3. Review of the Council's policies in relation to market supplements and other R&amp;R allowances.</li> <li>4. Review controls in respect of agency staff pay rates.</li> </ol>			

## K. Contract Management

Risk Summary	Risk update (recent developments, progress and concerns)	Risk Scores	Existing Controls:
<p><b>There is a risk that due to operational, commercial, environmental or relationship issues, an important, high profile front line service may start to fail causing reputational problems for the council.</b></p> <p>Page 47</p>	<p>Internal Audit have reviewed the Contract Management tools and operational performance and provided some recommendations. A joint paper with Procurement was taken to CMT to review and agree next steps in December 2022. The paper set out various options. CMT agreed to the option of creating a Strategic Contracts Register, where evidence of contract performance will form part of the Annual Procurement Strategy report. A further paper was taken to CMT in May 23 providing a list of contracts that would form part of the Strategic Contracts Register and this was formally agreed.</p> <p>The latest version of Councils Contract Register has been updated and is shared with approved officers within the Council. A new process has also been implemented via MS Forms where the Procurement team can formally make changes and add to the contracts register. This process is also available to wider council to ask for changes to be made to the register if any errors are identified.</p> <p>The new Procurement Bill is in its final stages. There are various aspects in the Bill related to transparency on how we manage our contracts and make the public aware of how our key contracts are performing with various obligations the Council would need to adhere to. Once its given Royal Assent and becomes law early 2024 we will begin preparations to align ourselves with the requires of the Procurement Bill although we have already starting working on this now.</p>	<p><b>Previous:</b>  <b>I: 3</b>  <b>L: 3</b>  <b>T: 9</b></p> <p><b>Current:</b>  <b>I: 3</b>  <b>L: 3</b>  <b>T: 9</b></p> <p><b>Target:</b>  <b>I: 3</b>  <b>L: 2</b>  <b>T: 6</b></p>	<ul style="list-style-type: none"> <li>➤ The contract management framework has been reviewed, revamped and updated.</li> <li>➤ A Gateway 4 process has been agreed to work with the Directorates to review our commissioning intentions to determine if there are any opportunities through decommissioning, economies of scale or bottom line savings that can be delivered to support council objectives for contracts that require re-procuring for contracts up to Mar 24</li> <li>➤ Reconciliation of the Contracts register and Online register has been undertaken to ensure all the contracts published online are on the Contracts register.</li> <li>➤ Segmentation of contracts has been undertaken from April 1 2022.</li> <li>➤ A contract review template was created and signed off for 'Gateway 3'. This is conducted at the mid-term period of a contract valued above £2m and assesses if suppliers are adhering to the performance KPIs / outcomes set out in the contract and if we should be looking to invoke the extension clauses when they come up.</li> <li>➤ All contracts that require a Gateway 3 and 4 will need to be presented at the</li> </ul>

			<p>Commissioning and Procurement Board for comments and agreement.</p> <p>➤ Each Directorate will be sent their extract of the Contracts Register for review and feedback on a quarterly basis for feedback and sign off. This will support the requirement to ensure that all information is being kept relatively up to date.</p>
<b>Action Plan</b>		<b>CMT Sponsor: Corporate Director Governance</b>	
<ol style="list-style-type: none"> <li>1. Work with the various stakeholders across the Council to gather evidence to support good contract management is being undertaken across our Strategic Contracts Register.</li> <li>2. Ensure Procurement are prepared to implement the requirements of the new Procurement Bill.</li> </ol>			





# **Risk Management Strategy**

September 2023

## 1. Introduction

The Council recognises and accepts that it is required to put in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

This Risk Management Strategy seeks to outline the Council's approach to risk management, to support a robust and consistent process for managing risks and opportunities within the Council. The strategy has been designed to serve as an accessible and practical resource to guide risk management and seeks to embed a culture that exemplifies best practice and high levels of risk maturity.

Specifically, the strategy seeks to:

- Implement a risk management process that is fit for purpose and complements other elements of the Council's governance processes;
- Ensure a consistent understanding and application of the Council's risk appetite and risk tolerance;
- Equip managers with the skills required to identify and assess risk and communicate this appropriately and effectively;
- Enhance the reporting and treatment of risks;
- Enable informed decision making;
- Encourage effective information sharing and collaboration across and between services to manage risks and opportunities in an efficient and joined-up way.
- Adopt best practice principles in respect of risk management and good governance.

## 2. Risk Management Strategy

A *risk* is typically defined as:

*'the uncertainty of an event occurring that could have an impact on the achievement of objectives'*

**Risk Management** is therefore the process which helps the Council to understand, evaluate and take action on risks, with a view to increasing the probability of success and reducing the likelihood of failure.

### 2.1 Vision

The overarching vision of our risk management strategy is to assist the Council with achieving its strategic objectives through the application of best practice risk management principles.

As with every business, there is an element of inherent risk associated in everything we do. As a Council we are accountable for delivering a wide-range of services in a fast-paced, complex and changing environment. This naturally presents a number of risks that we must manage carefully, whilst also providing opportunities to innovate and to do things differently.

However, we know that we cannot eliminate all risk and uncertainty and that we must embrace risk to some degree if we are to achieve our objectives and ambitions. This means that risk management is not about being ‘risk adverse’ – it is being ‘risk aware’. By being risk aware and managing risks effectively, we can enhance our resilience and our ability to respond effectively to emerging risks or increasing threats. Risks can also bring opportunities, and by being risk aware we can make sure we are best placed to take advantage of those opportunities when they arise.

Effective risk management practice is also about finding the right balance between an approach which is overly bureaucratic and onerous, and one which lacks rigour. Risk management works best when it forms part of existing decision-making and management processes, rather than an add-on or something that is left to corporate management. It’s therefore important that all members and officers understand their roles and responsibilities for managing risk.

## 2.2 Risk Management Principles

The following principles underpin our risk management strategy. They are practical in that they inform and guide our approach to risk management, whilst also being aspirational and providing objectives to progress towards.

<b>Embedded</b>	Risk Management is an integral part of decision-making; interlinked with governance, business planning and performance management disciplines. It is intrinsically linked to our corporate objectives and priorities.
<b>Shared Accountability</b>	Risk management is everyone’s responsibility, but there are also clear and specific accountabilities for risk management processes, for individual risks and for their associated actions.
<b>Agile</b>	Our approach to risk management is forward-looking and supports the Council to be agile, innovative and to take calculated risk.
<b>Responsive</b>	Risk management processes and activities should be dynamic and responsive to emerging and changing risk.
<b>Resilience</b>	The risk management strategy supports risk-based decision-making and helps improve the Council’s resilience.
<b>Proportionate</b>	Risk management focuses on the things that matter, adds value and our responses are commensurate with potential threats.

## 2.3 Risk Appetite

Risk appetite is defined as the amount and type of risk that an organisation is willing to take in pursuit of its objectives. The Council's risk appetite varies depending on the type of risk. The Council is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Risk appetite is commonly expressed as a statement which explains what the Council sees as acceptable, taking into account organisational capability and capacity. The risk appetite statement is a fluid statement and is revisited regularly.

The Council recognises that delivering our strategic ambitions is not without risk and we will not shy away from taking considered risks to innovate and improve. A risk appetite that is defined in too rigid terms can hinder innovation and creativity. Appropriate risk-taking, underpinned by sound risk management, will support the Council to deliver its strategic ambitions. However, it is equally appreciated that a formally defined risk appetite is a key component to an effective risk management strategy. As a general rule, the Council will not tolerate the following risks:

### Risk Appetite Statement

- Risks rated red on the risk matrix that are avoidable – other than in exceptional circumstances that should be fully documented;**
- Risks which would result in harm to our residents, staff or any groups or individuals;**
- Risks that might cause harm to the environment;**
- Risks which would result in breach of laws or regulations;**
- Risks which would result in the Council becoming financially unviable;**
- Risks that would result in a long-term detrimental impact on our reputation.**

In addition to the above risk appetite statement, *target risk scores* will be applied for each of the Council's strategic risks. Target risk scores indicate the level of risk that the Council is working towards achieving or maintaining and reflects the desired optimum level of risk. There are a number of considerations in determining target risk scores, including the extent to which external factors outside of the Council's control drive the impact and/or likelihood of a risk occurring, and cost versus benefit considerations. The rationale for target risk scores will be determined on a risk-by-risk basis.

## 2.4 Roles and Responsibilities

All Council officers and Members have a role to play in managing risk. Some individuals or groups have specific roles and responsibilities which are set out below:

All staff	Manage day to day risks within their areas of responsibilities and report risk concerns to their line managers.
Risk owners	A risk owner is the lead officer for the area affected by the risk. It is the risk owner's responsibility to ensure that appropriate resources are allocated to manage risk and that action plans are being implemented. They may delegate day-to-day management of risks, but they are responsible for seeking assurance that the risks they own are managed effectively.
Service Managers/Project managers	Responsible for effectively managing risks within their areas of responsibility, including identifying risk ownership. Identify, assess and document significant risks and escalate appropriately if required.
Heads of Service/Service Directors	Deliver effective risk management within their area of responsibility to deliver business objectives. Responsible for timely escalation of significant risks. Encourage staff to be open and honest in identifying risks and opportunities.
Corporate Directors	Ensure key risks are being identified and managed to aid delivery of the Council's priorities and objectives. Promote effective risk management and risk-based decision-making within their areas. Risk owners for strategic risks.
Council Management Team	Promotes an effective risk management culture across the Council. Responsibility for ensuring that strategic risks are managed and reported appropriately.
Audit and Standards Advisory Committee	Monitor and receive assurance that the Council's risk management framework is effective. Responsibility for monitoring the effective development and operation of risk management in the Council.
Elected Members	Members should consider risks when taking decisions.

## 2.5 Risk Governance

The risk management strategy is underpinned by ownership and accountability. Strategic objectives and risk tolerance levels are set by the Council Management Team (CMT), who are reliant on staff at every level of the organisation escalating risks through formal reporting structures in line with the organisation's risk appetite. The risk governance arrangements ensure appropriate oversight of risk management and assurance of its effectiveness.

The governance structure aligns to the 'Three Lines of Defence' model which can be summarised as:

- **First line:** Managing risks in day-to-day operations in line with internal controls (policies, procedures, and standards).
- **Second line:** Roles and teams that put controls in place and monitor compliance, and the risk management function.
- **Third line:** Independent assurance that the controls are effective in managing risk.

## 2.6 Risk Reporting

Each service and department should conduct risk assessments and keep a risk register to document the risks identified for their area, and the controls in place to manage them. Risk owners are responsible for regular monitoring of progress and updating the risk register. They may nominate a risk-coordinator to facilitate reporting of risks within their area of responsibility. Risk owners are also responsible for escalating risks to the next management level if risk exposure reaches agreed trigger points.

The Council's Internal Audit function is available to advise and support the development of a risk register. However, the service/department is responsible for the risk register, reflecting the fact that they own the controls and are responsible for monitoring and updating of risk and action items on their risk registers. Risk registers should follow the format of the template provided in Appendix A.

The Strategic Risk Report covers the Council's corporate level risks and is owned by the CMT. The Internal Audit function is responsible for working with risk sponsors and nominated risk leads to update all strategic risks, and report to CMT and the Audit and Standards Advisory Committee.



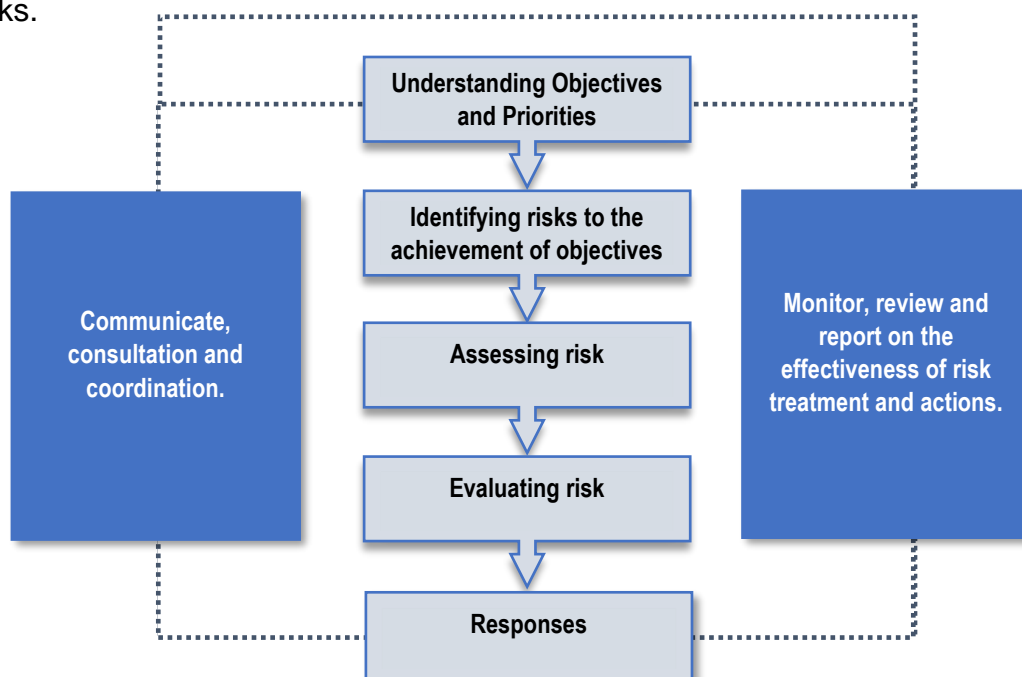
## 2.7 Escalation Triggers

The Council has not proposed escalation triggers for departmental or service level risk registers, as it is acknowledged that the risk profile and appetite of each department and service will vary considerably across a number of factors (including size, budget, complexity, the regulatory framework it may operate within, and the types of services provided to residents). Therefore, a uniform view to escalating all risks is not appropriate. Departments and Services should therefore agree their own individual escalation triggers, including financial impacts, as and where appropriate, to reflect the individual and specific circumstances of each service/department. (Note: financial limits should not exceed those set below for the strategic risks).

To ensure a holistic view of all of the Council's risks, service and departmental risk registers will be reviewed when compiling the Council's Strategic Risk Report. Departmental risk registers will also be reported to CMT periodically.

### 3. Risk Management Process

The following seven-stage process should be applied for managing all risks. This process provides a systematic and consistent approach to manage all different types of risks.



#### 3.1 Starting with Objectives

The Council’s objectives provide the starting point for any management of risk. The Borough plan defines the Council’s corporate objectives and priorities, and departmental and service level objectives are defined within relevant service plans. It is important that risk is not thought about in the abstract, but about events that might affect the Council’s achievement of its objectives. These may be problems to avoid or opportunities to grasp. It is also important to consider all of the Council’s objectives, including those that are inherently implied (for example, delivering value-for-money and financial propriety).

#### 3.2 Identifying Risks

The aim of risk identification is to understand the overall risk profile. At this stage, it is useful to consider a wide range of risks that could have an impact on the ability to achieve objectives. A risk may have an impact on one or more objectives. Some risks may be outside of our direct control but should still be identified. Risk management considers threats as well as identifies opportunities.

The table below presents examples of risk categories and areas that could be used as a starting point for identifying risks and opportunities:

Political	Direction of Government policy and possible changes in the future, tax policy, trade restrictions, political stability.
Economical	Economic trends nationally, cost of living, wage rates, interest rates, inflation, exchange rates, credit availability.
Social	Trends in demographics, consumer patterns, family life, community cohesion, residents’ expectations, cultural reforms and attitudes.

Technology	Existing and emerging technology to deliver services, maturity of technology.
Environmental	Environmental factors that may hamper the delivery of objectives, adverse weather, changing climate.
Legal	Existing and future legislative and regulatory requirements, equal opportunities, health and safety, employment law, risk of legal claims.
Governance	Clarity and transparency of decision-making and accountability, adequate monitoring, clarity of work plans.
Operational	The design and efficiency of internal processes, value for money, quality and quantity of service or product, fraud.
People	Leadership ability and effectiveness, staff engagement, culture and behaviours, industrial action, capacity and capability.
Public Health	Pandemics and other high impact public health events.
Financial	Return on investment, quality of financial management, asset management, compliance with financial reporting, fraud.
Commercial	Managing contracts and supply chains, poor performance, inefficiencies, value for money, meeting business requirements.
Information	Quality of data and information, adequate use of available data, data protection, information governance, cyber-attacks.
Security	Managing access to premises and information, cyber security, staff safety and security.
Reputational	Ethical considerations, poor quality of services, lack of innovation, repeated mistakes. Not managing risks appropriately can damage the reputation of individual departments as well as Council as a whole.
Project	Alignment of activities with strategic priorities, realising the indented benefits, delivering on time and within budget, interdependencies between projects.
Partnerships	Strategic and operational risks, conflict of interest, reputational impact, managing stakeholders.

It is also important to consider risks from different levels and perspectives, including:

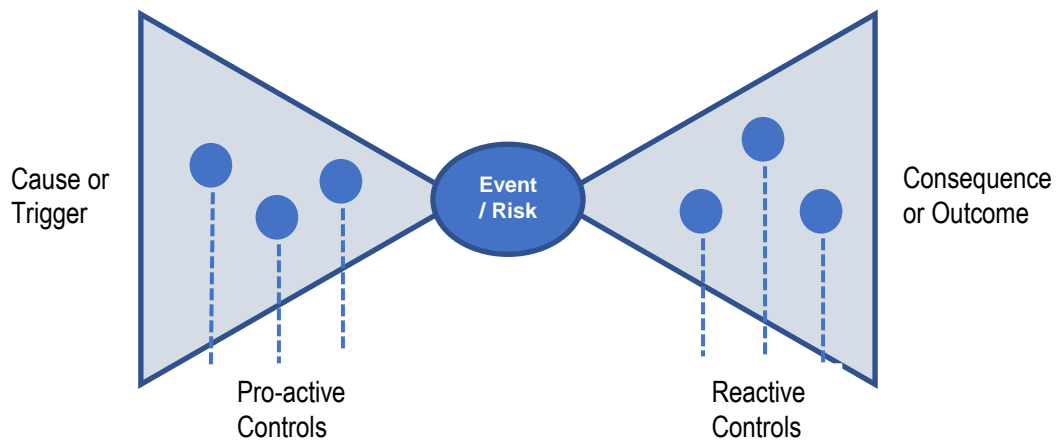
- **Strategic/Corporate Risks** - these are the Council's most significant risks which have the potential to significantly impact on the success of the Council as a whole. These are often strategic, cross-cutting and have the potential to impact a range of different areas or functions.
- **Departmental risks** – these are risks that are often specific to a particular department, though with cross-cutting elements across a number of services and functions within the department.
- **Service risks** – these are risks that relate to a specific service area, with the potential impacts of the risk predominantly confined to the service.
- **Project/Programme risks** – these risks are risks that may impact on the scope, outcomes, budget or timescales or a specific project or programme.
- **Decision-making risks** - These are the potential risks that flow from a decision to pursue, or not to pursue, a particular course of action and which may impact on the delivery of the associated outcomes. Risk assessment at this level is likely to be at a relatively early stage, forming the basis of future risk management at one



or more of the levels above. Considering risk whenever significant decisions are made is a key component of the Council’s approach to risk management.

### 3.3 Assessing Risks

After risks have been identified, they need to be analysed further to better understand how to manage them. The purpose of risk analysis is to articulate what would cause the risk to occur and what the consequences would be if it happened. Once we understand cause and consequence, we can analyse the controls we have in place to manage the risk and their effectiveness. Proactive controls are designed to reduce the likelihood of the risk happening. Reactive controls will reduce the impact, or consequence, if the risk were to become reality. The ‘bowtie’ diagram below summarises the risk assessment and analysis process:



### 3.4 Evaluating Risks

The next stage in the process is to evaluate the risk to establish the level of threat to the Council’s objectives. This helps to identify the risks which can be tolerated and those which require additional action. It also helps to facilitate the prioritisation of risks. Risks are scored and expressed in numerical terms by multiplying the likelihood of a risk by its impact. A **current risk** scoring method is applied, meaning that the likelihood and impact of the risk is considered in view of the current controls in place.

**Likelihood** is defined as *the probability of a risk occurring*. The following scoring criteria should be applied across all of the Council (i.e., the criteria remain consistent for assessing all of the Council’s risks).

#### Likelihood Scoring Criteria

Score	Level	Descriptor
5	Very Likely	<i>This event is expected to occur in most circumstances.</i>
4	Likely	<i>There is a strong possibility this event will occur.</i>
3	Possible	<i>This event might occur at some point and/or there is history of occurrence of this risk at this and/or other Councils.</i>
2	Unlikely	<i>Not expected, but there’s a slight possibility it may occur at some point.</i>
1	Rare	<i>Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will.</i>

**Impact** refers to *the consequences of the risk if it was to occur*. The impact scoring criteria below has been set for evaluating the Council’s Strategic Risks:

### Impact Scoring Criteria

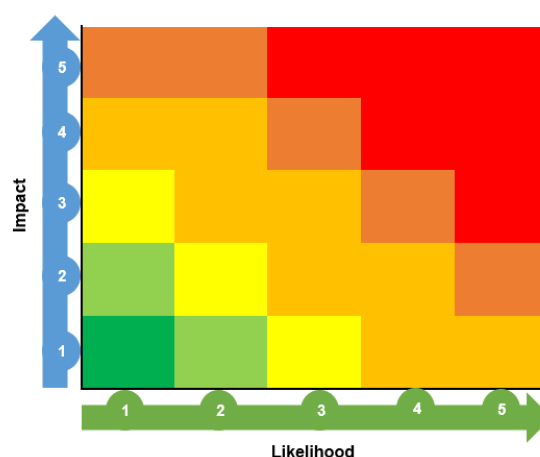
Score		Descriptor			
	Financial	Service Delivery	Health and Wellbeing	Reputation	
5	Major Financial loss (above £2m)	Major disruption to a number of critical services	Multiple deaths / serious life-changing injuries / extreme safeguarding concerns.	Long term damage – e.g. adverse national publicity.	
4	Significant Financial loss (above £1m)	Major disruption to a critical service.	Multiple casualties with life changing injuries / significant safeguarding concerns.	Medium to long term damage – e.g. adverse local publicity.	
3	Moderate Financial Loss (less than £1m)	Moderate disruption to a critical service	Moderate risk of injury / noticeable safeguarding risks.	Medium term damage	
2	Small Financial loss (less than £500k)	Moderate disruption to an important service.	Low level injuries / safeguarding risks.	Short term damage	
1	Minor financial loss (less than £100k)	Brief disruption to important service	No immediate impacts to health or wellbeing	Some damage to specific functions	

Similarly to escalation triggers, separate scoring criteria has not been proposed for departmental or service level risk registers, as it is acknowledged that the risk profile of each department and service will vary considerably across a number of factors (including size, budget, complexity, the regulatory framework it may operate within, and the types of services provided to residents) and therefore a uniform view to evaluating all risks is not appropriate.

Departments and Services should therefore adjust and agree revised impact criteria, including financial impacts, as and where appropriate, to reflect the individual and specific circumstances of each service/department. (Note: financial limits should not exceed those set above for the strategic risks).

Once risks have been evaluated and scored, they are plotted on a heat map for an overview of the total risk profile.

The heat map visually identifies the highest-ranking risks and the cumulative risk level. It also assists departments, services and the Council to consider its overall risk exposure and appetite.



### 3.5 Responding to Risks

The options of responding to a risk are referred to as the 4 T's:

- **Treat:** Applying proactive and reactive controls and other actions to reduce risk levels to acceptable levels.
- **Tolerate:** The risk exposure may be tolerable if no future action is taken, or the ability to treat the risk is limited, or the cost disproportionate to the benefits.
- **Transfer:** Transfer all or some of the consequences to another party, most commonly through insurance.
- **Terminate:** Cease the activity that is giving rise to the risk.

The most common response is to treat the risk by increasing or modifying controls and mitigating actions.

### 3.6 Monitoring and Review

All relevant risk information should be documented in the appropriate risk register(s). This facilitates regular monitoring of implementation of mitigating actions and assessment of their effectiveness in reducing the risk level.

New risks should be added as they are identified. High scoring risks should be monitored more frequently to ensure appropriate action is being taken. It is the risk owner's responsibility to monitor that action is taken forward and risk information is being updated. The Strategic Risk Register will be reviewed and updated twice a year, and at more regular intervals where required.

Department and service level risk registers are dynamic risk management tools that should be reviewed on an ongoing basis, with formal management reviews undertaken at least twice a year.

### 3.7 Risk Communication

Accurate and timely communication of risk information is crucial if we are to realise the benefits of risk management activities. Open, honest and transparent risk communication is a sign of a strong risk culture.

The Council's risk communications take many forms, including:

#### **Formal communications**

- Risk reporting – Department Management Teams, Council Management Team and the Audit and Standards Advisory Committee receive regular updates to provide assurance that risks are being effectively identified and managed across the Council.
- External risk communication – engagement with residents and members to present risks associated with new projects and services.

#### **Informal communications**

- Brent intranet - sharing the risk strategy and resources with staff and other ad hoc communications to raise awareness of risk management.
- Training sessions on risk management and the strategy.
- Facilitated workshops with teams to support them to improve their risk management processes.

### 3.8 Managing risk in projects and programmes

Whilst project and programme management may be undertaken in line with separate governance models and reporting structures, the principles of the risk management process in this strategy can be applied to project and programme risks as well.

Risk management in this context is focused on risks to the successful delivery of the intended benefits of the project or programme. This might include managing risks related to partnerships and interdependencies between projects. For large and/or high-profile projects, risks may be of such strategic importance that they should feature in the Strategic Risk Report. Project/programme sponsors should consider the impact criteria, as set out above, when assessing if a risk meets the criteria for corporate oversight.

### 3.9 Guidance and Training

The Internal Audit Service can deliver training to support the Council's risk management activities. This may take a number of forms, including one-to-one guidance; providing templates, guides and tools; team meeting training sessions; and facilitated risk workshops.

## 4. Conclusion


A robust risk management strategy and framework enables the Council to manage risk as an integral part of governance and management. The benefits of the risk management strategy include:

- Creating a positive risk culture so that the Council can take well-managed risks and take advantage of opportunities;
- Focussing decision-making on the priority issues for the Council, with clear links to strategic ambitions;
- Engaging staff at different levels in the Council and promote greater understanding of how risk links to strategic objectives;
- A structured process for handling current and emerging risks.

## **5. Appendices**

### **Appendix A – Risk Register Template**

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 <b>Brent</b>	<b>Audit and Standards Committee</b> <b>26 September 2023</b>
	<b>Report from the Corporate Director of Finance &amp; Resources</b>
	<b>Lead Cabinet Member – Deputy Leader and Cabinet Member for Finance, Resources &amp; Reform</b>
<b>Statement of Accounts 2022/23</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Six: Appendix A - LB Brent Audit Findings Report Appendix B - LB Brent Draft Letter of Representation Appendix C - LB Brent Draft Audit Opinion Appendix D - LB Brent Pension Fund Audit Findings Report Appendix E - LB Brent Pension Fund Draft Letter of Representation Appendix F - LB Brent Pension Fund Draft Audit Opinion
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Corporate Director of Finance & Resources <a href="mailto:Minesh.Patel@Brent.gov.uk">Minesh.Patel@Brent.gov.uk</a> 020 8937 4043  Ben Ainsworth, Head of Finance <a href="mailto:Ben/Ainsworth@Brent.gov.uk">Ben/Ainsworth@Brent.gov.uk</a> 020 8937 1731

## 1.0 Executive Summary

- 1.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the “report to those charged with governance” also referred to as the ISA260 (Audit Findings Report). The Council’s external auditors, Grant Thornton, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the findings from the value for money conclusion for the year.
- 1.2 At the time of writing this report Grant Thornton are in the process of completing the audit of the 2022/23 accounts and their ISA260 (Audit Findings Report), reflecting the current position is attached in the appendices. Based on the current position Grant Thornton intends to complete the audit of the Council and Pension Fund accounts shortly.
- 1.3 The key outstanding issue is that three local electors have made an objection to the accounts, Grant Thornton are proposing to sign off the accounts, but delay certification until the objections have been addressed.
- 1.4 Representatives from Grant Thornton will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

## **2.0 Recommendations**

- 2.1 The Committee is asked to review the report to those charged with Governance from Grant Thornton and:
  - consider the key issues and recommendations
  - consider the corrected audit differences
  - delegate approval of the draft letter of representation to Grant Thornton to the Corporate Director of Finance & Resources
  - note the draft audit opinion
  - note the objections to the accounts

## **3.0 Detail**

### **Contribution to Borough Plan Priorities and Strategic Context**

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

### **Statement of Accounts**



- 3.1 The audit of the accounts commenced in July, and under legislation should be completed by the 30th September. At the time of writing, audit fieldwork is substantially complete, and expected to be finalised in early October 2023, with the exception of the objections summarised below. To that end, an additional Audit and Standards meeting has been arranged on 12 October 2023 in order to for the committee to formally approve the accounts.
- 3.2 The ISA260 report presented to the Audit and Standards Advisory Committee sets out the anticipated results of the audit with the following key points being an unqualified audit opinion, subject to further work on the objections.
- 3.3 At the time of writing a number of adjustments to the accounts have been agreed by council officers and Grant Thornton and will be detailed by the combination of the auditor's written and verbal reports to the Audit and Standards Advisory Committee.
- 3.4 There are a number of recommendations from Grant Thornton for how the Council's processes can be improved in future years. Officers will be putting these recommendations into effect with a revised plan for closing the 2023/24 accounts.
- 3.5 The Value for Money audit work is currently underway and is expected to be completed in time for the additional Audit and Standards Committee on 12 October 2023.

### **Objections**

- 3.6 Any local elector has the right to object to their Council's accounts. They must do so in writing to the appointed auditor (Grant Thornton for Brent Council) and in order to "accept" the objection certain minimum tests must be met, for example that the objection is not in respect of a clearly trivial item. The significant majority of all objections made nationwide are "accepted".
- 3.7 Once an objection is "accepted" it must be "determined" by the auditor. The process for this is largely at the discretion of the auditor, who must be able to obtain information, interview relevant people and so on as they see fit in order to reach a decision. Once an objection is determined it is communicated to the Objector and to the Council, typically to the Chief Executive and s151 officer.
- 3.8 There is a right of appeal to the High Court against an auditor's decision not to apply for a declaration that an item of account is contrary to law. Any such appeal must be initiated within 21 days of receipt of the determination. Although there is no right of appeal against an auditor's decision not to issue a public interest report, it is amenable to judicial review.
- 3.9 The three objections received all relate to bus lane enforcement, with a particular focus on a problem with invalid certifications issued by the Secretary of State to London boroughs. This problem was identified in 2022/23 and subsequently rectified. There is a further objection to the wording of the Penalty Charge Notice issued for bus lane enforcement.

3.10 The initial analysis of the financial position shows that the council does not receive an income which would make a material difference to the council for bus lane enforcement. The council is in the process of reviewing these objections.

3.11 We are aware that similar objections have been received by several other London boroughs as the issue with invalid certifications is London wide.

3.12 At the time of writing the auditors are not of the view that these objections will delay the sign off of the accounts, but they will not be fully certified until the objections have been addressed.

#### **4.0 Stakeholder and ward member consultation and engagement**

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

#### **5.0 Financial Considerations**

5.1 The hourly fees in dealing with objections are set by Public Sector Audit Appointments (PSAA, a subsidiary of the Local Government Association, which carries out the role of independently appointing auditors to local authorities) and are charged on to the council in question. In this case, the cost will depend on the number of hours spent on dealing with the objection, which can range from £59 per hour on a senior auditor to £165 per hour on a Partner/Director. As the review is ongoing the total cost of dealing with these objections is currently unknown.

#### **6.0 Legal Considerations**

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

#### **7.0 Equality, Diversity & Inclusion (EDI) Considerations**

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

#### **8.0 Climate Change and Environmental Considerations**

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

#### **9.0 Human Resources/Property Considerations (if appropriate)**

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

#### **10.0 Communication Considerations**

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

**Report sign off:**

***Minesh Patel***

Corporate Director of Finance and Resources

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# The Audit Findings for London Borough of Brent

Year ended 31 March 2023



# Contents



## Your key Grant Thornton team members are:

### Ciaran McLaughlin

Key Audit Partner

E Ciaran.T.McLaughlin@uk.gt.com

### Sheena Phillips

Senior Manager

E Sheena.S.Phillips@uk.gt.com

### Nnana Mokhonoana

Assistant manager

E Nnana.S.Mokhonoana@uk.gt.com

### Key Audit Partner

Firm:

## Section

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

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

[Insert Key Audit Partner Signature]

Name: Ciaran McLaughlin

For Grant Thornton UK LLP

Date:

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# 1. Headlines

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

## Financial Statements

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

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

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

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

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

Receipt of outstanding evidence for

- Housing Benefits debtors ( testing of additional 12 samples)
- Housing benefits expenditure ( testing of additional 19 samples)
- Collection Fund: (testing of 25 samples on reliefs testing )

Responses to queries for the following:

- Intangible Assets, Employee Benefits ,Finance and Operating Leases: responses to 2 queries
- Bad debt provisions
- Infrastructure Assets

Completion of the following areas

- HRA and General Fund revaluations work;
- Cash and cash equivalents,
- Financial Instruments, Provisions, remuneration disclosures and capital disclosures

Receipt of the following

- IAS 19 assurance letter from pension fund auditor
- Borrowings: Confirmations from external parties pending
- Responses from the Council's solicitors
- management representation letter

Subsequent event confirmation; and

Review of the final set of financial statements

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

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

# 1. Headlines

## Value for Money (VFM) arrangements

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

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

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

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

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## Statutory duties

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

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

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

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

## Significant matters

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

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

We have raised control points for both matters in the action plan at Appendix B.



# 1. Headlines

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## National context – audit backlog

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

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

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## National context – level of borrowing

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

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

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

# 1. Headlines

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## National context – level of borrowing - continued

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

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## Local Context – Audit Liaison

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

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

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

---

# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

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

## Conclusion

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

### Acknowledgements

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

Changes to the Council's arrangements for responding to audit queries have had a really positive impact. We would like to thank everyone at the Council for their support in working with us to provide responses to our audit queries in a timely manner. The Council team worked constructively with the audit team to ensure that audit evidence requested were provided on time and of sufficient quality in most cases.

There was clear and open communication between the audit team and the Council officers which ensured that the audit process went smoothly. The audit team provided the Council with specific areas which they needed to focus on providing responses to every week.

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

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

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

## 2. Financial Statements



### Our approach to materiality

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

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

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



## 2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p><b>Management override of controls</b></p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> <li>reviewed and tested transfers between the General Fund and HRA and inter group journals</li> </ul> <p>During our work on journals we have noted the following points:</p> <p>The Council posted approximately 25,000 journals during the year. A total of 37 employees can raise a journal, and 22 employees can approval a journal. The number of people who can process journals increases with Oracle (system support) users who can post journals when support is needed. Both the number and value of journals processed remains high and there are a large number of individuals capable of processing journals. This introduces inherent risk of both fraud and error with large numbers being involved and inevitably introduces a level of inefficiency in the Council's operation of its finance system.</p> <p>We observed the download of the GL for each month and the size of the November GL was considerably larger than the other months. This caused issues such as having non balanced journals, and delays with the extraction of the journals to the extent that our Digital Team had to assist with. The reason for high number of journals was caused by the Council tax direct debit journals for April up to October were all created in November. We recommend that the Council creates these entries as close to the month they relate to as possible prevent this issue in following years.</p> <p>We have raised control points for the above issues on the action plan at Appendix B.</p>	<p>Group and Council</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>We rebutted the presumed risk of fraud in revenue, and such there is no specific work planned for this risk. There are no changes to our assessment reported in the audit plan.</p> <p>In order to get assurance over revenue, we have ;</p> <ul style="list-style-type: none"> <li>• selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy and occurrence, and completeness</li> <li>• inspected transactions which occurred in the year and ensured that they have been included in the correct year.</li> <li>• confirmed our understanding of the business process and determined if there were any relevant controls.</li> </ul> <p>Our work on revenues is substantially complete subject to management review. Our work to date has not identified any issues other than a misclassification of a grant of £6.1m as a ring-fenced grant instead of a non-ring-fenced grant. We have recorded this error under the adjusted misclassification/ disclosure error schedule at Appendix D.</p>	Council
<p>Valuation of land and buildings</p> <p>The council re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size and numbers involved (£1,097.8m) as at 31<sup>st</sup> March 2023 and the sensitivity of the estimate to key changes in assumptions.</p> <p>Additionally, management needs to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>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</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work.</li> <li>• evaluated the competence, capabilities and objectivity of the valuation expert.</li> <li>• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out</li> <li>• engaged our own expert, Gerald Eve, to provide commentary on;             <ul style="list-style-type: none"> <li>• The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and</li> <li>• The valuation methodology and approach, resulting assumptions and any other relevant points.</li> </ul> </li> <li>• challenged the information and assumptions used by the Valuer to assess the completeness and consistency with our understanding;</li> <li>• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.</li> <li>• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.</li> </ul> <p>We noted that the assets were valued as at 01 April 2022 and management applied indexation to estimate the values as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.</p> <p>Our audit work on Valuation of land and building is still in progress. Our work to date has not identified any matters which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.</p>	Council

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p data-bbox="100 730 134 874" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 79</p> <p data-bbox="114 381 427 403">Valuation of Council Dwellings</p> <p data-bbox="114 456 551 659">The Council owns 8220 dwellings as 31 March 2023, and it is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar types.</p> <p data-bbox="114 711 551 1090">The Council performed a full revaluation of its properties in the prior year. For 2022/23, the Council engaged the Valuer (Wilks, Head and Eve) to perform a market review from 01 April 2022 to 31 March 2023. The Council used the indexes in the market review report to carry out indexation on the full council dwelling properties from 01 April 2022 to 31 March 2023. The valuation of the properties after indexation for 22/23 is £827.8m. This represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions.</p> <p data-bbox="114 1110 551 1203">We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.</p>	<p data-bbox="589 381 678 403">We have:</p> <ul data-bbox="589 424 1832 783" style="list-style-type: none"> <li data-bbox="589 424 1458 446">• evaluated management's processes and assumptions for the calculation of the estimate;</li> <li data-bbox="589 459 1361 481">• evaluated the competence, capabilities and objectivity of the valuation expert.</li> <li data-bbox="589 494 1783 517">• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out</li> <li data-bbox="589 529 1630 627">• engaged our own expert, Gerald Eve, to provide commentary on; <ul data-bbox="696 564 1630 627" style="list-style-type: none"> <li data-bbox="696 564 1514 587">• The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and</li> <li data-bbox="696 600 1630 622">• The valuation methodology and approach, resulting assumptions and any other relevant points.</li> </ul> </li> <li data-bbox="589 639 1727 686">• challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;</li> <li data-bbox="589 699 1675 721">• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.</li> <li data-bbox="589 734 1783 783">• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.</li> </ul> <p data-bbox="589 799 1832 874">We noted that management applied indexation to the full Council Dwellings for the period 01 April 2022 to 31 March 2023 to estimate the value of the properties as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.</p> <p data-bbox="589 887 1832 959">Our audit work on Valuation of Council Dwellings is still in progress. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.</p>	Council

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£262m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>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.</p> <p>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.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>updated our understanding of the process and controls put in place by management to ensure that the council's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>assessed the competence, capabilities, and objectivity of the actuary who carried out the council's pension fund valuation</li> <li>assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.</li> <li>tested the consistency of the pension fund asset and liability and disclosure in the note to the core financial statement with the actuarial report from the actuary.</li> <li>undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedure suggested within the report.</li> </ul> <p>We have noted an error where the "other experience of" amount £53.2m was not disclosed in the draft accounts, however, the total net pension fund liability was disclosed correctly. We have recorded this error under the adjusted misclassification/disclosure error schedule at Appendix D.</p> <p>Our work is substantially complete subject to receiving the IAS 19 assurance letter from the pension fund auditor. We will update the Audit and Standards Committee following the completion of our work.</p>	<p>Council</p>



## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Fraud in expenditure recognition (Completeness of Non-Pay expenditure)</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period.</p> <p>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.</p> <p>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.</p>	<p>We have :</p> <ul style="list-style-type: none"> <li>Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compared size and nature of accruals at year to the prior year to help ensure completeness.</li> <li>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.</li> <li>Evaluated the accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set,</li> <li>Gained an understanding of your system for accounting for non-pay expenditure and evaluated the design of the associated controls,</li> <li>obtained and tested a listing of non-pay payments made in April and May 2023 to ensure that they have been charged to the appropriate year.</li> </ul> <p>Our audit work has not identified any issues in respect of the completeness of non-pay expenditure.</p>	Council

## 2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p data-bbox="114 435 1025 494"><b>Value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note</b></p> <p data-bbox="114 531 1025 619">Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2023, the net book value of infrastructure assets was £253m which is a significant multiple of materiality.</p> <p data-bbox="114 647 1025 730">In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:</p> <p data-bbox="114 735 1025 818">The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.</p> <p data-bbox="114 823 1025 938">The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.</p> <p data-bbox="114 967 1025 1018">These two risks have not been assessed as significant risks but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p data-bbox="1048 435 1771 464">We have:</p> <ul data-bbox="1048 475 1771 762" style="list-style-type: none"> <li data-bbox="1048 475 1771 504">• reconciled the fixed asset register to the financial statements</li> <li data-bbox="1048 515 1771 571">• used our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets</li> <li data-bbox="1048 582 1771 638">• obtained assurance that the UEL applied to Infrastructure assets is reasonable</li> <li data-bbox="1048 649 1771 762">• documented our understanding of management’s process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated</li> </ul> <p data-bbox="1048 774 1771 906">Our work on infrastructure assets is ongoing. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards committee. We will update the Audit and Standards Committee following the completion of our work.</p>	<p data-bbox="1787 435 2123 464">Council</p>

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

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

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

## 2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
<p><b>IT Control deficiencies</b></p> <p>The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud to support the financial statement audit of the London Borough of Brent and its subsidiaries for year ended 31 March 2023.</p> <p>The overall rating was significant deficiencies in the in the IT controls relevant to the financial statements.</p>	<p>The IT Audit team have;</p> <ul style="list-style-type: none"> <li>• evaluated the design and implementation effectiveness for security management, change management and batch scheduling controls;</li> <li>• performed high level walkthroughs, inspected supporting documentation and analysed configurable controls in the above areas;</li> <li>• completed a detailed technical review of Oracle Cloud as relevant to the financial statements audit; and</li> <li>• documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary.</li> </ul> <p>The IT audit work identified 2 significant deficiencies, 1 deficiency and 1 improvement opportunity .</p> <p>The significant deficiencies identified are:</p> <ul style="list-style-type: none"> <li>• segregation of duties conflicts between finance / payroll and system administration roles in Oracle Cloud.</li> <li>• Excessive access assigned to HR and Payroll users.</li> </ul> <p>We have detailed the findings from the IT audit and recommendations made by the IT audit team on the action plan at Appendix B.</p>	<p>We have considered the findings by the IT audit team and factored procedures in our journal testing to check if any of the deficiencies identified had any impact on the audit.</p> <p>We did not identify any issues which showed that the IT deficiencies have any impact on journals posted or on the financial statements.</p> <p>Management has provided responses to the recommendations made by the IT audit team for each of the deficiencies. We have recorded the management responses against the control points which we have raised for the deficiencies on the action plan at Appendix C</p>

## 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,097.8m	<p>Other land and buildings comprises £795.8m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£302m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head &amp; Eve LLP (WHE) to complete the valuation of properties as at 01 April 2022 on a five yearly cyclical basis. 35% of total assets were revalued during 2022/23. The assets which were not revalued were indexed from their last valuation date to 31 March 2023. The assets which were revalued as at 01 April 2022 were also indexed to the year end.</p> <p>Management has not documented consideration of alternatives estimates for the valuation of its land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected given the Council's estate.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 01 April 2022, based on the market review provided by the valuer as at 31 March 2023, to determine whether there has been a change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the property's value .</p> <p>The total year end valuation of land and buildings was £1,097.8m, a net decrease of £11.9m from 2021/22 (£1,109.7m).</p>	<p>The Council's valuer (Wilks Head &amp; Eve) carried out a formal revaluation as at 01 April 2022. The Council has engaged its valuer to certify its indexation of land and building to 31 March 2023.</p> <p>We have assessed the valuer to be competent, independent and capable.</p> <p>Our work on this estimate includes:</p> <ul style="list-style-type: none"> <li>checking the completeness and accuracy of the underlying information used to determine the valuation of land buildings.</li> <li>engaging our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points.</li> <li>reviewing the consistency of estimates against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023.</li> <li>checking the reasonableness of the net increase in the valuation of land and buildings</li> <li>checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements.</li> </ul> <p>Our work in relation to this key estimate – Valuation of Land and Building is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	TBC

### Assessment

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

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation – Council Houses- £827.8m	<p>The Council owns 8,220 dwellings as at 31 March 2023 and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council conducted full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology.</p> <p>Para 4.1.2.38 of CIPFA Code of Practice on Local Accounting 22-23 states that 'a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within intervals of no more than five years. The current value of land and buildings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers.'</p> <p>The Council has performed a full indexation of council dwelling properties from 01 April 2022 to 31 March 2023. The Council engaged Wilks Head &amp; Eve to certify the indexation process used to value these properties as at 31 March 2023. The year end valuation of Council Housing was £827.8m, a net increase of £43.8m from 2021/22 (£784m).</p> <p>The Code does not permit the use of indices as a means to adjust the carrying amount of asset, however the use of a professionally qualified valuer to certify the indexation within a short period (less than 5 years) is acceptable.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed the Council's valuer, WHE, to be competent, capable and objective.</li> <li>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.</li> <li>carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate.</li> <li>checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023.</li> <li>checked the reasonableness of the net in the valuation of council dwellings.</li> <li>checked the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in relation to this key estimate – Valuation of Council Dwellings is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	TBC

### Assessment

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## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Private Finance Initiative Assets - £94.7m	<p>The Council has entered into three PFI projects which have generated assets to be used by the Council. These are;</p> <ul style="list-style-type: none"> <li>A 25 year project to provide, operate and maintain a sports centre and related facilities in Wilsden with the legal title transferring to the Council at the end of the contract.</li> <li>A 20 year contract for the provision and maintenance of social housing, and replacement residential facilities for people with learning disabilities. The legal title transfers to the council at the end of the contract. The council also controls the residual value of 158 units of housing stock within this contract as it has guaranteed nomination rights.</li> <li>Provision and maintenance of social housing within Stonebridge. The inclusion of the block or flats within this contract was determined by a tenant's vote at the start of the contract.</li> </ul> <p>In 22/23, the Council has performed an indexation to estimate the value of the PFI assets using a market review report from the valuer (WHE). The Council has engaged the valuer to certify the indexation process as at 31 March 2023.</p> <p>The year end valuation of the Council's PFI assets recognised on the balance sheet was £94.7m, a net increase of £10m from 21/22 ( £84.7m)</p>	<p>We have;</p> <ul style="list-style-type: none"> <li>Assessed the Council's valuer, WHE, to be competent, capable and objective.</li> <li>engaged our own expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points.</li> <li>Checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023.</li> <li>Checked the reasonableness of the net in the valuation of council dwellings.</li> <li>Checked the adequacy of disclosure of estimate in the financial statements</li> </ul> <p>Our work with regards to this key estimate is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee.</p>	TBC

### Assessment

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# 2. Financial Statements: key judgements and estimates

Page 88

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																						
<b>Net pension liability – £262m</b>	<p>The Council's net pension liability at 31 March 2023 is £262m (PY £722m) comprising the London Borough of Brent Local Government and unfunded defined benefit pension scheme obligations</p>	<ul style="list-style-type: none"> <li>We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective.</li> <li>We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 21/22 roll forward calculation carried out by the actuary and have no issues to raise.</li> <li>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:</li> </ul>	Light Purple																						
	<p>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 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £460m net actuarial gain during 2022/23.</p>	<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.00%</td> <td>Adjusted 2.95-3.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.30%</td> <td>2.95%-3.95%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>Pensioners:22 years Future pensioners:23 years With a long term rate of improvement of 1.5% pa</td> <td>Figures within the IAS19 results schedule may now show individual employer level life expectancies. As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.</td> <td>Comparison cannot be made</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>Pensioners: 24.7 years Future pensioners:25.9 years With a long term rate of improvement of 1.5% pa</td> <td></td> <td>Comparison cannot be made</td> </tr> </tbody> </table>		Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	3.00%	Adjusted 2.95-3.00%	●	Salary growth	3.30%	2.95%-3.95%	●	Life expectancy – Males currently aged 45/65	Pensioners:22 years Future pensioners:23 years With a long term rate of improvement of 1.5% pa	Figures within the IAS19 results schedule may now show individual employer level life expectancies. As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.	Comparison cannot be made	Life expectancy – Females currently aged 45/65	Pensioners: 24.7 years Future pensioners:25.9 years With a long term rate of improvement of 1.5% pa
Assumption	Actuary Value	PwC range	Assessment																						
Discount rate	4.75%	4.75%	●																						
Pension increase rate	3.00%	Adjusted 2.95-3.00%	●																						
Salary growth	3.30%	2.95%-3.95%	●																						
Life expectancy – Males currently aged 45/65	Pensioners:22 years Future pensioners:23 years With a long term rate of improvement of 1.5% pa	Figures within the IAS19 results schedule may now show individual employer level life expectancies. As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.	Comparison cannot be made																						
Life expectancy – Females currently aged 45/65	Pensioners: 24.7 years Future pensioners:25.9 years With a long term rate of improvement of 1.5% pa		Comparison cannot be made																						

**Assessment**

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## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability (continued)		<ul style="list-style-type: none"> <li>• We have checked the completeness and accuracy of the underlying information used to determine the net pension liability</li> <li>• We have confirmed there were no changes to valuation method</li> <li>• We have confirmed the reasonableness of the Council's share of LPS pension assets.</li> <li>• We have checked the reasonableness of the decrease in the net pension liability</li> <li>• We have checked the adequacy of disclosure of the net pension liabilities in the financial statements.</li> </ul> <p>We have completed our work on Net Pension Liability. We have nothing to report to the Audit and Standards Committee.</p>	

### Assessment

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# 2. Financial Statements: key judgements and estimates

## Significant judgement or estimate

## Summary of management's approach

## Audit Comments

## Assessment

Grants Income Recognition and Presentation- £743m

Management's policy states that grants are recognised as due to the authority when there is reasonable assurance that the authority will comply with the conditions attached to the payments, and the grants or contributions will be received.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.

The Council has acted as the principal and credited such grants, contributions and donations to the Comprehensive Income and Expenditure Statement for the following grants:

- DWP - Housing Benefit
- DfE/ESFA - Dedicated Schools Grant
- Business Rate Relief S31 Grant
- DCLG - Revenue Support Grant
- DCLG - Adult Social Care Support Grant
- Adult social Care Improved Better Care Fund
- DCLG - Revenue Support Grant
- DCLG - New Homes Bonus
- Home Office - Homes for Ukraine Scheme
- Council Tax Admin Grant
- Sales Fees and Charges Grant
- Disabled Facilities Grant

Work performed during our audit covered the following:

- review of management's judgement of whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all.
- check of completeness and accuracy of the underlying information used to determine whether there are conditions outstanding that would determine whether the grant be recognised as a receipt in advance or income
- the Impact for grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) - which impacts on where the grant is presented in the CIES.
- review of adequacy of disclosure of management's policy around recognition of grant income in the financial statements

From our testing of grants, we identified that one sample with a balance of £6.1m (a service grant) has been misclassified as a ringfenced grant instead of non-ringfenced grant. This has been recorded as an adjusted error under misclassification and disclosure misstatements t Appendix D

Our work on grants is substantially complete subject to review. At this stage, we have nothing to bring to the attention of the Audit and Standards Committee apart from the above issue.

Light Purple

## Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £743m - Continued	<p>The Council recognised the following grants as agency transactions:</p> <ul style="list-style-type: none"> <li>• Adult Social Care Covid - 19 Infection Control Funding</li> <li>• Adult Social Care Support Grant</li> <li>• BEIS - Restart Grant</li> <li>• DLUHC - Council Tax Energy Bill Rebate – Mandatory</li> <li>• Energy Bills Support Scheme Alternative Funding</li> <li>• Adult Social Care Rapid Testing Fund</li> </ul> <p>The Authority has received a grant that have yet to be recognized as income as they have conditions attached to them that will require the monies to be returned to the giver. The balance at the year-end was £1.4m (£9.6m in 21/22)</p>		Light purple
PFI provision - £15.8m	<p>In 22/23 , there was an in-year difference on the Brent Co-Efficient PFI between the rent collected and the government PFI grant received, versus the unitary payments and base revenue costs. The difference amounted to £3.5m, which was released from the provision set aside for this purpose (a reduction in the provision). Additionally, there was an indication that a provision required for the end of 28/29 contract life needs to be increased by £2m and an additional drawdown of 0.2m to cover overspend on the general fund.</p> <p>This resulted in a net reduction of £1.7m in the PFI provision from 21/22 (£17.6m)</p>	<ul style="list-style-type: none"> <li>• The draft financial statements includes an accounting policy for provisions and PFI schemes.</li> <li>• The disclosure of the PFI provision within the financial statement is adequate.</li> <li>• 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.</li> </ul> <p>Our work is substantially complete subject to review.</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: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £22.7m	<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 basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £22.7m, a net increase of £10.4m from 2021/22. There is a retrospective charge of £7.0m in this year.</p>	<p>Whilst we are satisfied that the Council has approved its MRP through appropriate governance structure, the Council will need to ensure that the MRP continues to be adequate in the context of the increased borrowing.</p> <p>We have carried out the following work:</p> <ul style="list-style-type: none"> <li>confirmed MRP has been calculated in line with the statutory guidance</li> <li>confirmed the Council's policy on MRP complies with statutory guidance.</li> <li>assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council.</li> <li>analysed the Council's MRP percentage against total external debt held by the Council. This shows that the Council's MRP percentage against total external debt is 2.91% (1.8% in 2021/22). The increase is due to retrospective charge of £7m due to a review of the useful economic lives of asset which has resulted in outstanding principal being paid over the course of 49 years rather than the previous 100 years' time frame.</li> </ul> <p>The MRP percentage is 1.99% without the addition of retrospective charge. This is an increase on last year's percentage of 1.81%. This is now in line with the standard rate of 2%. We have noted that in the draft account the retrospective charge is stated as £7.5m instead of 7m. This has been recorded under misclassification and disclosure misstatements at Appendix D and it will be amended.</p> <p>Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation</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: Information Technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle	ITGC assessment (design and implementation effectiveness only)	●	●	TBC	TBC	Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.

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### Assessment

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

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

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

## 2. Financial Statements: other communication requirements



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Issue	Commentary
Confirmation requests from third parties	<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 Group during the year. We have responses outstanding from the following solicitors:</p> <ul style="list-style-type: none"> <li>• Bevan Brittan</li> <li>• Ashfords</li> <li>• Judge Priestley</li> </ul> <p>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. Our review found no material omissions in the financial statements.</p>
Audit evidence and explanations/ significant difficulties	<p>All information and explanations requested from management is being provided in a prompt manner.</p> <p>The Council struggled to provide us with housing benefit debtor report. The council admitted that this was a high-risk area in that the reports that the service had been using in previous years did not work in the current year, The council have had to do substantial work to review and address reconciliation reports to get to a number that can be reported as at 31 March 2023. We communicated this to the Council during the audit as detailed on page 27 We have also raised a control point for this on the action plan at Appendix B.</p> <p>We identified during our journal testing that the Council posted council tax direct debits from April to October all in November. This resulted in the journal listing not being exported correctly from the Council to us and we had to get our digital audit team to assist with exporting the data in the correct format. This delayed our journal testing and we had to carry out additional procedures to get assurance over the journals posted in November. We have also raised a control point for this on the action plan at Appendix B.</p>



## 2. Financial Statements: other communication requirements



### Our responsibility

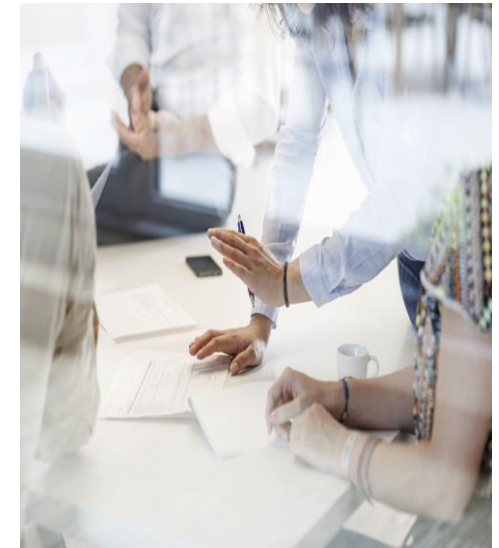
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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Issue	Commentary
Going concern	<p>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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>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 style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 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>Our work on other information is ongoing. We will update the committee once we have completed our work.</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"> <li>• 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,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>



## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<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>Note that work is not required as the Council does not exceed the threshold.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification of the closure of the 2022/23 audit of the London Borough of Brent in the audit report due to objections received from 3 local electors in relation to bus lane fines collected.</p>

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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

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# 3. VFM: our procedures and conclusions

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

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

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# 4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix E.

## Transparency

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

# 4. Independence and ethics

## Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Page 103 Certification of Housing capital receipts grant	10,000	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review because GT provides audit services	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers' Pension Return	7,500	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review because GT provides audit services	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	27,000 plus day rate for additional work required.	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,000 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

# 4. Independence and ethics

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

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

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



# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

# A. Communication of audit matters to those charged with governance

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

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

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

## Respective responsibilities

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

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

## Distribution of this Audit Findings report

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

# B. Action Plan – Audit of Financial Statements

We have identified 8 recommendations for the London Borough of Brent as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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

**Financial Statement issue /Controls**

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

# B. Action Plan - Audit of Financial Statements

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

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## Financial Statement issue /Controls

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

# B. Action Plan – Audit of Financial Statements

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

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## Financial Statement issue /Controls

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

# B. Action Plan - Audit of Financial Statements

Assessment	Issue and risk	Recommendations
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 110</p> <p>Medium</p>	<p><b>Seeded roles with SoD conflicts</b></p> <p>IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security</p> <ul style="list-style-type: none"> <li>- FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_OPTION_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_CATEGORY_PRIV</li> <li>- FND_APP_MANAGE_TAXONOMY_PRIV</li> <li>- FND_APP_MANAGE_DATABASE_RESOURCE_PRIV</li> </ul> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p>	<p>It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour.</p> <p><b>Management response</b></p> <p>We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role.</p> <p>Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role.</p>

## Financial Statement issue /Controls

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

# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p>We observed download of the general ledger transactions as part of our journal testing for each month. The number of journals raised in November of the November was considerably larger than the other months. This caused a number of issues with the journal listing not being exported correctly from the Council which our digital audit team had to assist with. The reason for this was caused by the fact that CTax DD journals for April up to October were all created in November. We have understood from the Council that this was a one time experiment performed which they will note repeat.</p>	<p>We recommend that the Council spreads the creation and posting of journals, unless there is a need for it, instead of creating so many journals within a short period of time as was the case for the Council tax journals. The Council should take into consideration the fact that the Oracle system can't process or export properly when there are a very high number of transactions that have been posted.</p> <p><b>Management response</b></p> <p>The council will look to ensure that all journals are processed in the quarter that they relate to</p>
Low	<p>When reviewing the fixed asset register, we identified a high number of vehicle, plant and equipment assets in the fixed asset register which had gross book values brought forward and nil carry forward values with no movement in the year.</p> <p>We selected a sample of 5 assets to gain an understanding of why these assets were still on the FAR and if they had actually been fully depreciated and being shown in the FAR at the correct carry forward balance.</p> <p>Of these 5 assets, the Council could not locate 4 assets, they could locate the 5th but not to the value in the FAR.</p> <p>Therefore, it is reasonable to conclude that these assets have no net carry forward value and they do not impact the PPE balance in the accounts however the issue is more of an overstatement of the gross book value. This does not impact the net book value which feeds into the balance sheet, a control recommendation has been raised.</p>	<p>We recommend that the Council evaluate the vehicle, plant and equipment assets in the FAR which have a gross book values brought forward, and nil carry forward values and tidy up the fixed asset register as the gross book values may be overstated.</p> <p><b>Management response</b></p> <p>This will be reviewed in 2023-24.</p>

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## Financial Statement issue /Controls

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

# B. Action Plan - IT Audit Findings

Assessment	Issue and risk	Recommendations
<p>Low</p> <p>Page 112</p>	<p><b>Lack of audit logging for configurations in Oracle Cloud</b></p> <p>IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table</p> <p><b>Risk</b></p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database</p>	<p>It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to</p> <ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Cash Management</li> <li>• Accounts Receivable and</li> <li>• General Ledger</li> </ul> <p>It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS</p> <p><b>Management response</b></p> <p>Audit logging has been reviewed across all financially critical areas and has been found to be sufficient</p>

## Financial Statement issue /Controls

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



# C. Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<p>IT Audit Control Findings</p> <p>From IT Audit's work, we have recommended that the Council:</p> <ul style="list-style-type: none"> <li>- Should undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</li> <li>- Should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</li> <li>- Should implement audit logging for financially critical areas including, but not limited to accounts payable, cash management, account receivable and the general ledger.</li> <li>- Should configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team</li> <li>- Should ensure changes to key documents are authorised before processed or reviewed by someone independent of the author, restricting access and publishing PDF versions of key documents for use by the project team.</li> </ul>	<p><b>Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:</b></p> <ul style="list-style-type: none"> <li>- Four Quarterly user access reviews performed, by Oracle Cloud Applications Support, findings are recorded on SharePoint and is a manual process.</li> <li>- Only the Oracle Support Team &amp; SI support have the privileges to develop and makes changes in Oracle cloud, this follows the governance in place which also includes approval at the Oracle CAB for deployment into production.</li> </ul> <p><b>Manage access rights:</b></p> <ul style="list-style-type: none"> <li>- Requests for specialist roles are raised via Hornbill with approval from Heads of Finance - new roles assigned are recorded in SharePoint.</li> <li>- Changes to user accounts are requested via hornbill with changes and dates recorded and saved in SharePoint.</li> <li>- For users who have left is an automated process where accounts for users who have left are made inactive.</li> </ul> <p><b>Password requirements:</b></p> <ul style="list-style-type: none"> <li>- Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication.</li> </ul> <p><b>Manage Program changes:</b></p> <ul style="list-style-type: none"> <li>- Change requests are logged via Hornbill following the governance model in place.</li> <li>- Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD.</li> <li>- Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads.</li> <li>- Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team</li> <li>- Any changes to financially significant scheduled jobs are managed and recorded via Hornbill.</li> <li>- This operation is carried out daily by the OCAS team identifying exceptions and controls are in place.</li> </ul>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

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

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

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

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

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

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

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

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

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## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

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

## Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
The HB Overpayment debtor balance as per the trial balance is £52,614,809, however the revised agreed amount of HB debtor as at 31/03/023 is £49,934,126. The HB overpayment debtor balance has to be reduced by the amount which it was overstated by (£2,680,683.)	2,680		2,680	
Dr Revenue		(2,680)		(2,680)
Cr Debtors				
<b>Overall impact</b>	<b>£2,680</b>	<b>(2,680)</b>	<b>£2,680</b>	<b>(2,680)</b>

# D. Audit Adjustments - continued

## Misclassification and disclosure changes

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

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

# D. Audit Adjustments

## Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
<p>We have recorded an extrapolated error of £933,699 in our OPEX testing. The extrapolated error relates to one fail which had not been correctly apportioned between financial years. A portion of the expense (41k) should have been accrued in the 21/22 FY. There was no evidence to suggest this was an isolated incident and therefore an extrapolation of the error was carried out. The projected misstatement of the population is £933,699, and therefore significantly below PM. There is an overstatement on expenses and an understatement of cash.</p> <p>Dr Cash</p> <p>Cr Expenditure</p>		933			Below PM and extrapolated error.
	[933]		[933]	933	
<p>5 Errors in Accruals testing:</p> <p>- Wates Construction: we found 2 errors relating to Wates, we then tested more of the population relating the Wates and found 2 more errors therefore we can't isolate this error.</p> <p>- Airey Miller: we found 1 error in testing that also could not be isolated</p> <p>We extrapolated these errors which amounted to £1.29m</p> <p>Dr Creditors (accruals)</p> <p>Cr Expenditure</p>		1,295			Below PM and extrapolated error.
	[1,295]		[1,295]	1295	
<b>Overall impact</b>	<b>[2,228]</b>	<b>2,228</b>	<b>[2,228]</b>	<b>2,228</b>	

# D. Audit Adjustments

## Impact of prior year unadjusted misstatements

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

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



# D. Audit Adjustments

Impact of prior year unadjusted misstatements - continued

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

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# D. Audit Adjustments

## Impact of prior year unadjusted misstatements - continued

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

# E. Fees and non-audit services

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

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

# E. Fees and non-audit services

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

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

# E. Fees and non-audit services

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

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These fees reconcile to the financial statements.

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

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

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

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

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

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Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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**[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]**

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2A 1AG

**[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}**

Dear Grant Thornton UK LLP

**London Borough of Brent  
Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of London Borough of Brent and its subsidiary undertakings, First Wave Housing Ltd, i4B Holdings Ltd, Barham Park Trust and LGA Digital Services for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include [XXX...]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for [add estimation] and the following change/s to estimation process was/were made[...] We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the [group and ]Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report **and attached**. We have not adjusted the financial statements for these misstatements brought to our attention as *[they are immaterial to the results of the Council and its financial position at the year-end OR list reasons]*. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvii. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

#### **Information Provided**

- xviii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

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

#### **Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on [ENTER DATE].

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

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

## Report on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements of London Borough of Brent (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise Balance Sheet, the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement, Collection Fund Account, Group Balance Sheet, Group Consolidated Income and Expenditure Statement, Group Cash Flow Statement, Group Movement in Reserves and notes to the financial statements, including a summary of significant accounting and notes to the financial statements. The notes to the financial statements include 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; 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 group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance and Resources' 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 group and the Authority'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 Authority or the group to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group'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 group and the Authority. 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 2022) 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 group and Authority and the group and Authority's disclosures over the going concern period.

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

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 Authority's and the group'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.

Our responsibilities and the responsibilities of the Corporate Director Finance and Resources with respect to going concern are described in the relevant sections of this report.

### **Other information**

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

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

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority and the Corporate Director Finance and Resources**

As explained more fully in the Statement of Responsibilities [set out on page XXX], 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 Corporate Director Finance and Resources. The Corporate Director Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance and Resources is responsible for assessing the Authority's and the group'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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003), the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

We enquired of management and the Audit and Standards Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of

management override of controls and assessment of the risk of fraud in revenue and expenditure recognition. We determined that the principal risks were in relation to journals:

- Using data analytics, we considered all journal entries for fraud and set specific criteria to identify the entries we considered to be high risk. Such criteria included journals with unusual values; journals posted after the year end; journals with a material impact on the surplus/deficit for the year; and journals created by senior managers.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Corporate Director Finance and Resources has in place to prevent and detect fraud.
- analysis of the journals listing and determination of the criteria for selecting high risk unusual journals
- identification and testing of unusual journals made during the year and the accounts production stage for appropriateness and corroboration.
- reviewing and testing transfers between the General Fund and HRA and inter group journals. challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings valuations, council dwelling valuations, PFI valuations, the valuation of defined benefit net pension fund liabilities, grants and income recognition, PFI provisions and minimum revenue provision.
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings valuations, council dwelling valuations, PFI valuations, depreciation, the valuation of defined benefit net pension fund liabilities, provisions, income and expenditure accruals, PFI liabilities, credit loss and impairment allowances, and fair value estimates. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.



- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for the London Borough of Brent for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of

objections brought to our attention by local authority electors under section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2023.

#### **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 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Ciaran McLaughlin, Key Audit Partner

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

London

Date:

# The Audit Findings Report for Brent Pension Fund

**Year ended 31 March 2023**

September Month 2023

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# Contents



## Your key Grant Thornton team members are:

### Ciaran McLaughlin

Key Audit Partner

E Ciaran.T.Mclaughlin@uk.gt.com

### Sheena S Phillips

Senior Manager

E Sheena.S.Phillips@uk.gt.com

### Aleksandra Liutina

Audit In-Charge

E Aleksandra.Liutina@uk.gt.com

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

[Insert Key Audit Partner Signature]

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

## Page

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 2023 for the attention of those charged with governance.

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## Financial Statements

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

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

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

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

- Receipt of outstanding confirmation for Investment, Cash and Contingent liability
- Clearance of review notes on Benefits payable
- Review of financial instruments, key management personnel and triennial valuation
- Receipt of response to our query on IAS 19 work
- Receipt and review of the Annual report
- Subsequent event confirmation
- Receipt of management representation letter ; and
- Review of the final set of financial statements

Our anticipated opinion on the financial statements will be unmodified

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. As documented above we have not received the Annual Report.

Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2023 and therefore this report has not yet been produced. The Pension Fund aims to provide us with the annual report before we issue our audit opinion. If they do, we propose to issue our 'consistency' opinion on the Pension Funds Annual Report . We are unable to certify completion of the audit of the administering authority until this work has been completed and objections raised on the administration authority's accounts have been resolved.

As a result of the Annual Report not being ready yet we will not be able to issue the completion certificate at this time.

# 1. Headlines

---

## National context – audit backlog

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

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

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

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

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## Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hyman Robertson, and showed that the Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. The present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. Following the 2022 triennial valuation, the Employer's contributions for the period to 31 March 2024 are estimated to be approximately £41.6m. The deficit recovery period is 20 years. Contributions will remain at 33.5% of pensionable pay in 2023/24. The results of the latest triennial valuation are reflected in note 35 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 25. We identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as it the data might have been archived. We did not identify any issues apart from the two issues identified from our testing. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

---

# 2. Financial Statements

## Overview of the scope of our audit

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

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

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

## Audit approach

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

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

## Conclusion

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

### Acknowledgements

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

As documented on page 4, we were not aware of the system change until we started the final accounts audit and such the work in relation to the new system implementation was not budgeted for and factored into our fees. We also experienced delays in obtaining evidence for the testing of triennial valuation and IAS 19 data as summarised on page 34

# 2. Financial Statements



## Our approach to materiality

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

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

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## Pension Fund Amount (£) Qualitative factors considered

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





## 2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></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 Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</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 for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals.</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul> <p>From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person.</p> <p>The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. We have recorded this as a control point on the action plan at appendix B.</p> <p>Our work on journals is complete. Apart from the point raised above, our work has not identified any issues in respect of management override of controls.</p>

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Level 3 investments

You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £101.3m) and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.

We therefore have identified Valuation of Level 3 Investments as a significant risk.

We have:

- evaluated management's processes for valuing Level 3 investments.
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met.
- Independently request year-end confirmations from investment managers and the custodian (Northern Trust).
- tested the valuation of a sample of investments by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. We have reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period.
- evaluated the completeness, capabilities and objectivity of the valuation expert in the absence of available audited accounts.
- reviewed investment manager service auditor report on design and operating effectiveness of internal controls where available.

Our work on level 3 investments is in progress. Our work to date has not identified any issues which we need to bring to the attention of the Audit and Standards Committee.

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

#### The implementation of the Pensions Administration System

In November 2022, Brent Pension Fund moved its Pensions Administration function from the Altair System to the UPM System.

As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end.

The system change impacts benefits payable and contributions which are material balances in the accounts as they are contributed by members.

Thus, we have identified a significant risk in this area over the completeness and accuracy of the transfer between the systems.

### Commentary

We have

- obtained an understanding of the processes and controls put in place by management to ensure the completeness and accuracy of the transfer of data between the old and new Pensions Administration System;
- reviewed the checks undertaken by management over the data transfer to assure themselves over the completeness and accuracy of the transfer;
- Carried out testing to check that all members have been correctly transferred from Altair to Civica

Our audit work has not identified any issues in respect of the implementation of the new pensions administration system.

## 2. Financial Statements: Other risks

### Risks identified

#### Local Government Pension Scheme triennial valuation

Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.

The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.

### Commentary

We have:

- reviewed the methods used to calculate the estimate, including the models used
- reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports.
- performed tests on the accuracy and completeness of the data used in the valuation process. This included examining source documents and reconciling data to supporting records.
- evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

From our testing of 25 samples, we identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as the data might have been archived.

Our work on triennial valuation is complete subject to review. Apart from the points noted above, our audit work has not identified any issues in respect of Local Government Pension Scheme triennial valuation

## 2. Financial Statements: new issues and risks

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

Issue	Commentary	Auditor view
<p><b>IT Control deficiencies</b></p> <p>The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud to support the financial statement audit of the London Borough of Brent and its subsidiaries for year ended 31 March 2023.</p> <p>The overall rating was significant deficiencies in the in the IT controls relevant to the financial statements.</p>	<p>The IT Audit team have;</p> <ul style="list-style-type: none"> <li>evaluated the design and implementation effectiveness for security management, change management and batch scheduling controls;</li> <li>performed high level walkthroughs, inspected supporting documentation and analysed configurable controls in the above areas;</li> <li>completed a detailed technical review of Oracle Cloud as relevant to the financial statements audit; and</li> <li>documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary.</li> </ul> <p>The IT audit work identified 2 significant deficiencies, 1 deficiency and 1 improvement opportunity .</p> <p>The significant deficiencies identified are:</p> <ul style="list-style-type: none"> <li>segregation of duties conflicts between finance / payroll and system administration roles in Oracle Cloud.</li> <li>Excessive access assigned to HR and Payroll users.</li> </ul> <p>We have detailed the findings from the IT audit and recommendations made by the IT audit team on the action plan at appendix B.</p>	<p>We have considered the findings by the IT audit team and factored procedures in our journal testing to check if any of the deficiencies identified has any impact on the audit.</p> <p>We did not identify any issues which showed that the IT deficiencies have any impact on journals posted or on the financial statements.</p> <p>Management has provided responses to the recommendations made by the IT audit team for each of the deficiencies. We have recorded the management responses against the control points which we have raised for the deficiencies on the action plan at Appendix C</p>

## 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £115.7m	<p>The Pension Fund has Level 3 investments in private equity, infrastructure and private debt which in total are valued on the net assets statement as at 31 March 2023 at £115.7m.</p> <p>The management has flagged estimation uncertainty in relation to private equity/infrastructure/private debt investments in that there is a risk that this investment may be under- or overstated in the accounts. This is because such investments are valued on the latest available information, as the exact value of the investment as of 31st of March 2023 might not yet be available at the time of the compilation of the accounts. The management therefore uses the custodian as their expert, as Northern Trust will adjust the fund managers' valuations to account for cash-flows in the intervening period.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management uses the custodian report provided at the year-end by Northern Trust.</p> <p>The investment valuations are supported by audited accounts.</p> <p>Service auditor reports were also obtained and considered as part of our testing.</p> <p>The value of the investment has increased by £14.4m in 2022/23.</p>	<p>From the procedures undertaken, we have</p> <ul style="list-style-type: none"> <li>deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments.</li> <li>assessed management's expert (the fund managers and the custodian which is Northern Trust)</li> <li>obtained latest audited accounts and reviewed cash flow movements to 31 March 2023.</li> <li>checked the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>reviewed the results of service auditor reports</li> <li>checked the reasonableness of the increase in level 3 investments</li> <li>checked the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in relation to this key estimate – Valuation of Level 3 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	TBC

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [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
<b>Level 2 Investments – £972.9m</b>	<p>The Pension Fund has Level 2 pooled investments and pooled property investments which in total are valued on the net assets statement as at 31 March 2023 at £972.9m.</p> <p>Management has not flagged any estimation uncertainty in relation to Level 2 investments.</p> <p>The investments are not traded on an open exchange/market and the valuation of the investment is subjective.</p> <p>The Pension Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.</p> <p>The value of the investment has decreased by £29.4m in 2022/23.</p>	<p>From the procedures undertaken, we have</p> <ul style="list-style-type: none"> <li>deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments.</li> <li>assessed management's expert (the fund managers and the custodian which is Northern Trust)</li> <li>obtained latest audited accounts and reviewed cash flow movements to 31 March 2023.</li> <li>checked the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>reviewed the results of service auditor reports</li> <li>checked the reasonableness of the increase in level 3 investments</li> <li>checked the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in relation to this key estimate – Valuation of Level 2 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	TBC

### Assessment

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





## 2. Financial Statements: Information Technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle	ITGC assessment (design and implementation effectiveness only)			TBC	TBC	Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.

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### Assessment

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



## 2. Financial Statements: Information Technology

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

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

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### Assessment

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

## 2. Financial Statements: other communication requirements

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

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Issue	Commentary
<b>Matters in relation to fraud</b>	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.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation has been requested from the Pension Fund , which is included in the Audit and Standards Committee papers  Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for Level 3 and level 2 investments
<b>Audit evidence and explanations</b>	All information and explanations requested from management was provided. We experienced delays with: <ul style="list-style-type: none"> <li>• obtaining information from LPPA to carry out our audit work on the new system transfer</li> <li>• getting evidence for the samples which we selected for our triennial valuation testing and IAS 19 test.</li> </ul>

## 2. Financial Statements: other communication requirements



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Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to fund managers. This permission was granted, and the requests were sent. We have received all requests other than confirmation from Alinda for level 3 investments and confirmation from Natwest for level 1 investments.</p> <p>We requested management to send letters to those solicitors who worked with the Pension Fund during the year. As at 19 September a reply has only been received from all other than the following solicitors;</p> <ul style="list-style-type: none"> <li>• Bevan Brittan</li> <li>• Ashfords</li> <li>• Judge Priestley</li> </ul> <p>We have requested management to follow up the outstanding responses.</p>
Accounting practices	<p>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</p>

## 2. Financial Statements: other communication requirements



### Our responsibility

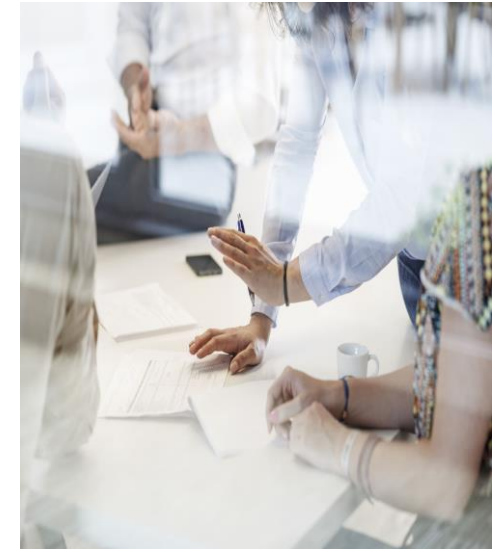
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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Issue	Commentary
Going concern	<p>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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>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 style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund's financial reporting framework</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>The Pension Fund is administered by <b>the London Borough of Brent</b> (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>This work is outstanding.</p>
Matters on which we report by exception	<p>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.</p> <p>We have not received the annual report from the pension fund yet, however the pension fund intends to provide us with the annual report before we issue our opinion.</p> <p>We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report if the Pension fund provides us with the annual report before we issue our audit opinion.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters</p>



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# 3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix E.

## Transparency

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

# 3. Independence and ethics

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

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

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

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments



# A. Communication of audit matters to those charged with governance

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

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

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

## Respective responsibilities

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

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

## Distribution of this Audit Findings Report

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

## B. Action Plan – Audit of Financial Statements

We have identified 6 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High Page 162	<p>From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension.</p> <p>Risk</p> <p>Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to.</p>	<p>Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners .</p> <p><b>Management response</b></p> <p>The pension fund regularly reviews it's data and will consider what steps it can take to address this finding.</p>

### Controls

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

# B. Action Plan – Audit of Financial Statements

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

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## Controls

- High – Significant effect on financial statements
  - Medium – Limited Effect on financial statements
  - Low – Best practice
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# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p><b>Seeded roles with SoD conflicts</b></p> <p>IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security</p> <ul style="list-style-type: none"> <li>- FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_OPTION_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_CATEGORY_PRIV</li> <li>- FND_APP_MANAGE_TAXONOMY_PRIV</li> <li>- FND_APP_MANAGE_DATABASE_RESOURCE_PRIV</li> </ul> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p>	<p>It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour</p> <p><b>Management response</b></p> <p>We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role</p> <p>Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role</p>

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## Controls

- High – Significant effect on financial statements
  - Medium – Limited Effect on financial statements
  - Low – Best practice
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## B. Action Plan – Audit of Financial Statements

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

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### Controls

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

# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	<p><b>Lack of audit logging for configurations in Oracle Cloud</b></p> <p>IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table.</p> <p><b>Risk</b></p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p>	<p>It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Cash Management</li> <li>• Accounts Receivable and</li> <li>• General Ledger</li> </ul> <p>It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS</p> <p><b>Management response</b></p> <p>Audit logging has been reviewed across all financially critical areas and has been found to be sufficient</p>

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## Controls

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

# C. Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</b></p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> <li>• A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles.</li> <li>• A Senior Finance Analyst had access to six Brent L3 Support roles.</li> <li>• The Head of Finance had access to the IT Security Manager role.</li> <li>• Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022).</li> <li>• 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role.</li> </ul>	<p><b>Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:</b></p> <ul style="list-style-type: none"> <li>- Four Quarterly user access reviews performed, by Oracle Cloud Applications Support, findings are recorded on SharePoint and is a manual process.</li> <li>- Only the Oracle Support Team &amp; SI support have the privileges to develop and makes changes in Oracle cloud, this follows the governance in place which also includes approval at the Oracle CAB for deployment into production.</li> </ul>
	<p>The Pension Fund confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements.</p>	
	<p><b>Risk</b></p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters</p>	
	<p>It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p>	
	<p>Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p>	

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p data-bbox="315 339 757 368"><b>Lack of audit logging in Oracle Cloud.</b></p> <p data-bbox="315 376 1442 405">Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p data-bbox="315 435 376 464"><b>Risk</b></p> <p data-bbox="315 475 1547 561">Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p> <p data-bbox="315 603 1536 657">It is recommended that the Council implement audit logging for financially critical areas including, but not limited to:</p> <ul data-bbox="421 687 882 834" style="list-style-type: none"> <li>• Accounts Payable (including Suppliers);</li> <li>• Cash Management;</li> <li>• Accounts Receivable; and</li> <li>• General Ledger.</li> </ul> <p data-bbox="315 847 1536 901">The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.</p>	<p data-bbox="1554 379 2085 491">- Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication.</p>
✓	<p data-bbox="315 970 723 999"><b>Monitoring of scheduled processes.</b></p> <p data-bbox="315 1029 1547 1083">Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</p> <p data-bbox="315 1114 376 1142"><b>Risk</b></p> <p data-bbox="315 1153 1547 1240">Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud.</p> <p data-bbox="315 1270 1503 1356">It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.</p>	<p data-bbox="1554 970 2002 1024">Change requests are logged via Hornbill following the governance model in place.</p> <p data-bbox="1554 1038 2092 1150">- Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD.</p> <p data-bbox="1554 1165 2085 1276">- Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed



# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Project documents maintained in an unsecured format.</b></p> <p>Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams.</p> <p><b>Risk</b></p> <p>There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned.</p> <p>For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation:</p> <ul style="list-style-type: none"> <li>• Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner.</li> <li>• Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team.</li> <li>• Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom.</li> </ul>	<p>Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team</p> <ul style="list-style-type: none"> <li>- Any changes to financially significant scheduled jobs are managed and recorded via Hornbill.</li> <li>- This operation is carried out daily by the OCAS team identifying exceptions and controls are in place.</li> </ul>

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

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

## Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
The audit fees for 2021/22 were incorrectly disclosed in the draft accounts at £33k instead £38k.	<p>The management fees for 21/22 need to updated to the correct amount</p> <p><b>Management response</b></p> <p>Final set of accounts will be updated.</p>	✓

## D. Audit Adjustments (continued)

### Impact of unadjusted misstatements

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

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
From our testing of employee contributions, there was one sample which the Pension fund could not provide evidence to support the contribution amount. The sample in question relates to a school employee . Since we could not verify that that the contribution amount of £53.7 is accurate and relates to the correct year , we treated this sample as an error and extrapolated it. The extrapolated error is £305k. We have treated this error as an overstatement of contribution				The Pension Fund has not adjusted the error as it is an extrapolated error and it is below PM
Dr Employees Contribution	305			
Cr Current Liabilities			-305	
<b>Overall impact</b>	<b>£305</b>	<b>-£305</b>	<b>£305</b>	

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### Impact of prior year unadjusted misstatements

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

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

## E. Fees and non-audit services

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

Audit fees	Proposed fee
Scale fee	£22,420
Investment Valuation	£6,351
Additional audit procedures arising from a lower materiality	£6,575
Increased audit requirements of revised ISA 540	£3,500
Journals	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
ISA 315	£3,000
New System Implementation work	£6,500
Hot Review	£2,500
Work on triennial valuation member data	£5,000
<b>Total audit fees (excluding VAT)</b>	<b>£51,771</b>

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

## E. Fees and non-audit services

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

The proposed fees reconcile to the financial statements as shown below

fees per financial statements	£37,771
• New System Implementation work	£6,500
• Hot Review	£2,500
• Work on triennial valuation member data	£5,000
• total fees per above	£51,771

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

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP  
30 Finsbury Square,  
London, EC2A 1AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

**Brent Pension Fund**  
**Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Brent Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include accounting estimates include the valuation of Level 3 investments, Level 2 investments and the Actuarial Present Value of Promised Retired Benefits. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for [add estimation] and the following change/s to estimation process was/were made[...] We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report **and attached**. We have not adjusted the financial statements for these misstatements brought to our attention as *[they are immaterial to the results of the Fund and its financial position at the year-end OR list reasons]*. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. There are no other prior period errors to bring to your attention.
- xiv. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
  - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

#### Information Provided

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and

- c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxiii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiv. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Fund's Audit and Standards Committee at its meeting on [ENTER DATE].

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Fund**

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

### Opinion on financial statements

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 2023, 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 2022/23.

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 2023 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 2022/23; 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 Corporate Director Finance and Resources' 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 Corporate Director Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022) 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.

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

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.

Our responsibilities and the responsibilities of the Corporate Director Finance and Resources with respect to going concern are described in the relevant sections of this report.

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinion on other matters 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, 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 and the Corporate Director Finance and Resources**

As explained more fully in the Statement of Responsibilities [set out on page XXX], 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 Corporate Director Finance and Resources. The Corporate Director Finance and Resources 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 2022/23, for being satisfied that they

give a true and fair view, and for such internal control as the Corporate Director Finance and Resources 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 Corporate Director Finance and Resources 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

### **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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ).

We enquired of management and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of management override of controls. We determined that the principal risks were in relation to journals:

- using data analytics, we considered all journal entries for fraud and set specific criteria to identify the entries we considered to be high risk. Such criteria included journals with unusual values; journals posted after the year end; journals with a material impact on the surplus/deficit for the year; and journals created by senior managers.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Corporate Director Finance and Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on what we deem to be high risk journals;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of Level 2 investments and Level 3 investments and IAS 26 pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to Level 2 investments, Level 3 investments and IAS 26 pension liability valuations.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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](http://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 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Ciaran McLaughlin, Key Audit Partner

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



London

Date:

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Topic / Date	06-Jun-23	18-Jul-23	26-Sep-23	12-Oct-23	06-Dec-23	06-Feb-24
<b>Internal Audit &amp; Investigations</b>						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Internal Audit Progress Reports					X	
Annual/Interim Counter Fraud Report	X				X	
Internal Audit and Investigations Plan						
<b>External Audit</b>						
External Audit progress report		X	X		X	X
Statement of Accounts & Pension Fund Accounts		X	X	X		
Annual Auditor's Report			X			X
<b>Financial Reporting</b>						
Treasury Management Mid-term Report					X	
Treasury Management Strategy					X	
Statement of Accounts & Pension Fund Accounts		X	X*	X*		
Treasury Management Outturn Report		X				
<b>Governance</b>						
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X			
Review of the use of RIPA Powers						
Receive and agree the Annual Governance Statement	X*					
<b>Risk Management</b>						
Strategic Risk Register Update			X			
Emergency Preparedness						X
<b>Audit Committee Effectiveness</b>						
Review the Committee's Forward Plan	X	X	X		X	X
Review the performance of the Committee (self-assessment)						
Chair's Annual Report	X					
Training Requirements for Audit Committee Members (as required)						
<b>Standards Matters</b>						
Standards Report (including gifts & hospitality)	X		X		X	
Annual Standards Report						
Complaints & Code of Conduct						X
Review of the Member Development Programme and Members' Expenses (incorporating Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal)						

\* Requires approval by Audit & Standards Committee

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