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Audit and Standards Advisory Committee

Wednesday 6 December 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	Substitute Members
David Ewart (Chair)	
Councillors:	**Councillors:**
Chan (Vice-Chair) S Butt Choudry Kabir Long J.Patel Smith	Afzal, Agha, Begum, Gbajumo, Molloy and Shah Councillors: Kansagra and Mistry

Independent Members
Stephen Ross and Rhys Jarvis

Independent Advisor
Vineeta Manchanda

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

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Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

****Personal Interests:**

The business relates to or affects:

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

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

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

or

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

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

Agenda

Introductions, if appropriate.

Item		Page
1	**Apologies for absence and clarification of alternate members**	
2	**Declarations of Interest**	
	Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
3	**Deputations (if any)**	
	To hear any deputations received from members of the public in accordance with Standing Order 67.	
4	**Minutes of the previous meeting**	1 - 18
	To approve the minutes of the previous meetings held on Tuesday 26 September 2023 and Thursday 12 October 2023 as correct and note the action log arising from previous meetings.	
5	**Matters arising (if any)**	
	To consider any matters arising from the minutes of the previous meeting.	
	Standards Items	
6	**Standards Report (including Gifts & Hospitality)**	19 - 24
	The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members and member training.	
	Finance	
7	**Treasury Management Strategy**	25 - 50
	This report presents the draft Treasury Management Strategy (TMS) for 2024/25 for consideration by the Committee.	

8	**Treasury Management Mid-Term Report**	51 - 68
	This report updates Members on Treasury activity for the first half of the financial year 2023-24.	
	Audit Items	
9	**Internal Audit Interim Report 2023-34**	69 - 102
	This report outlines the work undertaken by Internal Audit in respect of delivery of the 2023-24 Internal Audit Plan.	
10	**Interim Counter Fraud Report 2023-24**	103 - 112
	This report summarises the counter fraud activity undertaken in 2023/24, up to 30th September 2023.	
11	**Final Audit Findings Report 2022/23**	
	To provide the Committee with the final Audit Findings reports for 2022/23.	
	11.1 Brent Pension Fund AFR 2022/23	113 - 150
	11.2 London Borough of Brent AFR 2022/23	151- 220
12	**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.	
13	**Forward Plan and Agenda for the next meeting**	221 - 222
	To review and note any amendments to the Committee's work programme.	
14	**Any other urgent business**	
	Notice of items to be raised under this heading must be given in writing to the Head of the Chief Executive Office and Member Services or her representative before the meeting in accordance with Standing Order 60.	

Date of the next meeting: **Tuesday 6 February 2024**

- 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. **HERE**

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Brent

MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Tuesday 26 September 2023 at 6.00 pm

PRESENT: Councillor David Ewart (Chair) and Councillors S.Butt, Choudry, Long, J.Patel, and Smith.

Independent Advisor: Vineeta Manchanda.

Also present: Councillor M Butt (Leader of the Council) and Julie Byrom (Independent Person – attended online).

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

Apologies were received from Councillor Chan, Councillor Kabir and Stephen Ross (Independent co-opted Member).

2. **Declarations of Interest**

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

Councillor S.Butt declared an interest in relation Item 7 as one of the Directors of i4b and First Wave Housing.

3. **Deputations (if any)**

None received.

4. **Minutes of the previous meeting**

RESOLVED that the minutes of the previous meeting held on Tuesday 18 July 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. **Standards Report (including Gifts & Hospitality)**

Debra Norman, Corporate Director of Governance, introduced a report updating the Audit and Standards Advisory Committee (ASAC) on gifts and hospitality registered by Members and Member training. The Committee noted the following key points:

- The details of Gifts and Hospitality registered by members in the second quarter of 2023/24 were detailed in Appendix A of the report.

- Following a recruitment exercise to fill the outstanding Independent Co-opted Member post, two candidates were recognised as appointable, with Stephen Ross being offered the position on a 4-year term as agreed by Full Council on 10.07.23.
- Following the resignation of Independent Co-opted member Rachael Tiffen, the second candidate, Rhys Jarvis was offered the newly vacant position, which was approved by Full Council on 18.09.23.
- In relation to member attendance at mandatory training sessions, the Committee was advised that all members had completed their core mandatory refresher training with the exception of Data Protection & Information Security. A repeat virtual training session was scheduled to take place on 5.10.23 to enable the outstanding members (as listed in Appendix B) to complete the training.

The Committee re-iterated that they felt it was particularly important that Cabinet Members who had not completed the outstanding training did so, as by virtue of their Cabinet positions they would be exposed to significantly increased levels of sensitive data.

As no further issues were raised the Chair thanked Debra Norman for the update provided and it was **RESOLVED** to note the content of the report.

7. **To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd**

Ahead of the formal introduction of the item, the Chair advised the Committee of a change in the reporting of i4B and First Wave Housing as it was recognised that the role of the Audit & Standards Advisory Committee was to scrutinise the Council oversight of the companies as opposed to scrutinising the companies themselves.

Ravinder Jassar, Deputy Director of Finance introduced the reports that updated the Committee on the work of both First Wave Housing Ltd (FWH) and i4B Holdings Ltd (i4B) to deliver against their business plans.

Key issues highlighted were as follows:

- The Committee was advised that following a review of the Committee's arrangements and in consultation with the Chair and Vice Chair, it had been agreed that the Committee would receive bi-annual reports from the Council's Chief Executive and Corporate Director of Finance & Resources to provide assurance on the arrangements the Council, as Guarantor of FWH and shareholder in i4B, had in place to oversee the good performance and governance of the companies. It was recognised that this revised approach was in line with best practice as recommended by CIPFA.
- The Committee's attention was drawn to Section 3.4 of the reports that laid out the governance arrangements in place.
- It was highlighted that both business models remained in financially strong and stable positions.
- Voids and rent collections continued to be areas that required focus.

The Chair invited the Committee to ask officers any questions or clarifying points in relation to both i4B and FWH.

The following points were discussed:

- The Committee felt there should be enhanced regular scrutiny of i4B and FWH, Peter Gadson, Corporate Director of Resident Services, advised that there were plans to hold a joint scrutiny Committee meeting in January 2024 with both the Resources & Public Realm Scrutiny Committee and Community & Wellbeing Scrutiny to examine the companies in more detail, and if it was felt to be an effective way forward, regular opportunities for scrutiny of the companies could be undertaken via their inclusion on the Committee's work plans. The Chair agreed as a forward action to liaise with the Chairs of both Scrutiny Committees to explore this further.
- Specifically in relation to i4B, the Committee queried the issue of tax inefficiencies, Ravinder Jassar, Deputy Director of Finance advised that as i4B had become more profitable, the company was required to pay more tax, consequently discussions had taken place with a tax consultant to ensure that the company was operating as tax efficiently as possible.
- Following a Committee query on i4B's buying strategy, it was confirmed that now that house prices had started to fall, buyers acting on behalf of the Council had been instructed to start purchasing again after a brief pause due to the rising interest rates and unstable market conditions that had begun to stabilise.
- The Committee questioned what was being done to increase void turnaround times for both companies, in response the Committee was advised that the revised operational changes that had been made to manage the reduction of void turnaround times were starting to come in to effect, with the full effects expected to be felt within the next 6 months; revised targets would see minor voids being turned around within 28 days and major voids being turned around in 72 days.

As there were no further questions the Chair thanked Ravinder Jassar and Peter Gadson for presenting the report and responding to the Committee queries. The Committee **RESOLVED** to:

(1) Note the reports for both i4B Holdings Ltd and First Wave Housing Ltd.

(2) Note the financial position for 2022/23 for both i4BHoldings Ltd and First Wave Housing Ltd. note the reports and their financial position for 2022/23.

8. **Strategic Risk Register**

Darren Armstrong, Head of Audit & Investigation, introduced the report providing the Committee with an update on the Council's Strategic Risks as of September 2023 and the new Risk Management Strategy that outlined the Council's approach to risk management to support a robust and consistent process for managing risk and opportunities.

In considering the report the Committee noted:

- The Strategic Risk Register had been prepared in consultation with risk leads, Departmental Management, Senior Leadership Teams and the Council's Management Team in accordance with the key elements of the Council's Risk Management Policy and Strategy.
- Since the report was last updated in February 2023, the Council had continued to operate in a heightened risk environment due to several external factors that included the unstable economic climate and the Cost of Living crisis.
- The Committee's attention was drawn to Appendix 1 - Strategic Risk Register that detailed the four new risks that had been added to the Strategic Risk Report, one of which reflected the growing demand from homeless households coupled with the lack of affordable accommodation that had resulted in the increased use of costly emergency temporary accommodation. The three further risks identified within the Strategic Risk Report (Risk E – Non -compliance with statutory housing duties, Risk G – Serious child protection incident or wider safeguarding concern and Risk H – Safeguarding incident – Adults) had previously been held on departmental risk registers as inherent risks. The Committee noted that Risks E – H were not new risks nor had they been escalated due to increased risk scores; they had been added to reflect a change in the Council's risk management approach as part of ongoing efforts to continue to improve and enhance the Council's risk management framework.
- The new Risk Management Strategy – Appendix 2 had been produced in response to a previous recommendation made in an external assessment and was felt to be significantly improved from the previous strategy in place with the addition of a Risk Appetite Statement and a comprehensive resource guide to risk management in Brent.

The Chair thanked Darren Armstrong for his report and invited Committee members to ask any questions they may have, with the following responses provided:

- In response to a Committee query in relation to how the risk of the overspend for temporary accommodation could be mitigated, the Committee was advised that with the overspend projected to be £13m it would be reported in the Q2 forecast report and taken to Cabinet with a report that would detail the range of actions the Council could take to relieve the pressures in the short and longer term.
- In response to a Committee query in relation to whether risks were benchmarked against other local authorities, it was confirmed that reviewing of the risk register framework was regularly compared with colleagues from other Council's to look for common themes and share best practice, additionally, Councillor M.Butt, Leader of the Council advised that Cabinet Members regularly met with their counterparts across London to share intelligence and examine data trends.
- The Committee was advised that future iterations of the Strategic Risk Register would include enhancements to the key risk indicators to include additional context to support the Committee's understanding of the specific risks.
- Following a query in relation to how the Committee would receive assurances over other key risk areas that weren't reflected in the Strategic Risk Register, including Climate Change and revenue risks, Darren

Armstrong, Head of Audit & Investigation, advised that this would be taken as a forward action to consider how these risks could be included in future updates to the Committee.

In closing the discussion on the item, the Chair advised Committee members to check that they were satisfied with the risks identified in the Risk Appetite Statement (2.3 of the report) and requested that any comments or adjustments in relation to the Risk Appetite Statement were emailed to Darren Armstrong. As there were no further questions on the item the Chair extended his thanks on behalf of the Committee to Darren Armstrong and his team for providing what the Committee felt was a highly informative and comprehensive report.

The Committee **RESOLVED** to note the report provided.

9. **Statement of Accounts & Pension Fund Accounts/Audit Findings Report**

Ahead of the updated Audit Findings Report being presented to the Committee, the Chair clarified that the final Audit Findings Report remained in progress, therefore final approval of the accounts could not be confirmed at the meeting. An additional meeting was scheduled for 12 October 2023 to enable final consideration of the accounts and recommendation for approval to the Audit & Standards Committee.

Ben Ainsworth, Head of Finance was then invited to introduce a report that provided the Committee with an update to the Statement of Accounts 2022/23 and the External Audit Findings Report.

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

- Grant Thornton (External Auditors) was in the process of completing the audit of the 2022/23 accounts and their final Audit Findings Report.
- Adjustments to the accounts had been agreed by the Council and Grant Thornton and would be detailed in the final auditor's report.
- Grant Thornton had made a number of recommendations to support further improvements in the Council's processes, the recommendations identified would come into effect with a revised plan for closing the 2023/24 accounts.
- Three objections had been received in relation to bus lane enforcement, the Council was in the process of reviewing the objections and seeking legal advice; it was noted that similar objections had been received by several other London Councils.
- The Committee was advised that providing that the objections were not classified as material, they would not delay the sign off of the accounts; however, the accounts could not be fully certified until the objections had been addressed.

The Chair thanked Ben Ainsworth for introducing the item, before inviting Ciaran McLaughlin, Key Audit Partner, Grant Thornton to update the Committee on the Council's Audit Findings Report:

The following key points were highlighted:

- It was highlighted that Brent's Finance Team had collaborated well with Grant Thornton to get the audit to the current stage of nearing completion. Work had continued to progress well with only a small number of outstanding areas to complete, this included the Housing Revenues Account (HRA), General Fund re-evaluations work and IAS 19 assurance letters. Once any outstanding areas had been completed the audit would be ready for the auditor's internal review process.
- The Annual Auditors Report (Value for Money Audit) was being finalised with a draft report expected to be shared with the Council within the next week.
- Auditors were satisfied with the management responses received in relation to the risks and observations identified.
- Key judgements were in line with the auditors' expectations and would continue to be monitored on an annual basis.
- Auditors were awaiting final confirmation that the 3 objections received were not material, the Committee was advised that if the objections were found to be material it could delay the signing of the accounts.

The Chair invited the Committee to ask any clarifying questions in relation to the update, the following responses were provided:

- In response to a Committee query in relation to the higher than usual number of journals submitted as part of the audit, it was clarified that although there were a higher number of journals, appropriate information had been received in relation to all of them and the auditors were not concerned that there was an issue.
- It was clarified that the higher number of journals submitted this year had resulted from a specific piece of work relating to exploring ways to improve the reconciliation of council tax and business rates, therefore there were a higher number of transactions than usual, this was not expected to be an issue moving forward.
- Following a Committee query in relation to the sufficiency of the IT system controls, it was confirmed that there had been issues identified, however the auditors were satisfied that any previous deficiencies identified had been appropriately addressed.
- In response to a Committee query regarding the accuracy of Level 3 valuations, the Committee was advised that the accuracy of valuations were rigorously tested by reputable firms of auditors who were experts in their field, therefore the Committee could be satisfied that the valuations were as accurate as possible.

The Chair thanked Ciaran McLaughlin for the update and invited Sheena Phillips, Senior Manager, Grant Thornton to update the Committee on the Pension Fund Audit Findings Report.

The following key points were highlighted:

- The Pension Fund Audit was nearing completion pending further confirmations being received in relation to some Level 3 investments.
- Brent's Pensions Fund system transfer, which had initially been flagged as a significant risk due to the volume and sensitivity of data that required transfer, was confirmed as successful, with no issues identified.

- A previous issue in relation to a journal being incorrectly listed with a different number had also been resolved.
- It was confirmed that of the audit adjustments identified in Appendix B, there were no major adjustments.

The Chair thanked Sheena Phillips for the report and invited the Committee to ask any questions or clarifying points in relation to the report. In response to Committee questions the following responses were provided:

- Although the Pension Fund was subject to a hot review, it was not expected to delay the completion of the Pension Fund Audit.
- Following a question in relation to the interest rates used to inform the triennial valuations. It was confirmed that valuations were based on March 2022 interest rates, therefore the valuations were likely to be in a better position than reported.
- The Committee required clarity in relation to the gravity of non original letters of confirmation being provided for the Pension Fund and whether this was an issue unique to Brent. In response the Committee was advised that it was not a Brent specific issue, having been raised with several other local authorities. It had been highlighted that it was best practice to have original letters to minimise the risk of paying pensions that individuals were not entitled to.

As there were no further questions the Chair re-iterated his thanks on behalf of the Committee for the work of Brent's Finance Team and the Grant Thornton Team in progressing the accounts to their advanced stage. The Chair took the opportunity to welcome Sophia Brown from Grant Thornton, who would be taking on the role of Key Audit Partner for Brent's 23/24 audit.

As no further issues were raised the Committee RESOLVED to:

(1) Note the key issues and recommendations identified in the Audit Findings Report.
(2) Note the corrected audit differences.
(3) Note the draft audit opinion.
(4) Note the objections to the accounts; and that pending confirmation that the amount was immaterial, the objections would not delay the signing of the accounts; however, would delay the final certificate from the auditors.
(5) Note that in order to allow the Audit process to be finalised, an additional meeting of the Audit & Standards Advisory Committee had been scheduled for 12 October 2023 to allow final consideration and formal approval of the accounts to be recommended to the Audit & Standards Committee.
(6) Recommend to the Audit & Standards Committee to agree the delegation of approval of the draft letter of representation to Grant Thornton to the Corporate Director of Finance & Resources.

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

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

11. **Any other urgent business**

The Chair recommended that Committee members attend the Section 114 training that the Council were providing. Members were advised that if they were unable to attend, a recording of the training would be made available.

The next meeting was scheduled for Thursday 12 October 2023

The meeting closed at 7:28pm

David Ewart
Chair

MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Thursday 12 October 2023 at 6.00 pm

PRESENT: Councillor David Ewart (Chair) and Councillors Chan, Choudry, Kabir, Long, Molloy and J. Patel.

Independent Advisor: Vineeta Manchanda.

Also present: Councillor Tatler (Deputy Leader, Cabinet Member for Finance, Resources & Reform and Cabinet Member for Regeneration, Planning & Growth) and Julie Byrom (Independent Person – attended online).

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

Apologies were received from Stephen Ross (Independent Co-opted Member, Councillor S.Butt and Councillor Smith. Councillor Molloy attended as an alternate for Councillor S.Butt.

2. **Declarations of Interest**

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

3. **Deputations (if any)**

None received.

4. **Statement of Accounts – Audit Findings Report 2022/23 and Annual Auditor's Report**

Ben Ainsworth, Head of Finance introduced a report that provided the Committee with an update on the progress of the Statement of Accounts 2022/23 and the Audit Findings Report. The Committee was advised that the final checks were being made to the Statement of Accounts, with their completion anticipated within the next week. It was highlighted to the Committee that despite the minimal delays, Brent were in the advantageous position of being one of only a few authorities that had completed their accounts for 2022/23. Ciaran McLaughlin, Key Audit Partner, Grant Thornton, went on to highlight key points from the updated Audit Findings Report.

In considering the report the Committee noted the following:

- Previously pending queries in relation to Level 3 Valuations, the Housing Revenue Accounts and the General Fund had been reviewed and signed off.
- Queries relating to infrastructure assets had been satisfied in line with CIPFA guidance.
- Work had been undertaken in relation to PFI provision, some minor differences had been noted, however upon consulting with PFI modelling

experts, auditors were satisfied that the information was materially correct, therefore a control point had been noted, but no amendments were necessary.

- No issues were identified that would impact on the independence of the report.
- The action plan in Appendix B of the Audit Findings Report identified 11 recommendations as a result of issues identified during the course of the audit. Auditors were satisfied with the management responses to these and progress against these issues would be reported during the 23/24 audit.

The Committee raised a number of queries in relation to the information heard, with the following responses provided:

- In response to a Committee query in relation to whether the auditors anticipated any further delays to the completion of the audit, the Committee was advised that no further delays were expected that would impede the signing of the accounts, however the Committee was reminded that a completion certificate could not be used until the outstanding objections had been resolved.
- Following a Committee query in relation to several recommendations identified in the Audit Findings Action Plan regarding the number of employees who had access to specific systems that could lead to enhanced fraud risk; the Committee was advised that officers had responded positively and had already actioned reducing the level of access to the identified systems.
- In relation to the medium risk identified that raised the issue of the high number of journals raised in November 2023, the Committee was advised that although identified as a medium risk, it was unlikely to present as an issue in future audits as it was the result of the Council trialling a different way of working. In future the Council would spread the creation and posting of journals to allow the Oracle system to be able to process and export the information sufficiently.
- Following a Committee query in relation to how the level of security was managed when staff access secure systems with sensitive information, the Committee was advised that controls around user access and permissions were continually reviewed via internal audit processes and relevant updates would be provided to the Committee in the internal audit report.
- In response to a query regarding the level of housing benefit overpayments and how these could be adequately recovered, the Committee was advised that it was a widespread issue for local authorities and due to the recipient's low income it took a very long time to recover overpayments as they had to be made in small instalments over an extended time period.
- The Committee received assurance that the number of recommendations received was not unusual and in recent years had increased across all local authority audits to reflect the level of increased risks faced by local authorities.

The Chair thanked Ciaran McLaughlin for providing the update in relation to the Brent Audit Findings Report and invited Sheena Phillips to update the Committee on the Audit Findings Report for the Brent Pension Fund.

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

- There had been minimal changes made since the report was last shared with the Committee.
- The Committee's attention was drawn to page 103 of the report that highlighted an unadjusted error in relation to Level 3 Investments, it was confirmed that this had no impact upon the accounts.
- Some further recommendations had been made following the hot review of the accounts, the main recommendation was to ensure best practice guidance in relation to currency risk disclosure and that management analysed the currency risk disclosure by currency to provide clarity. Auditors were satisfied with the management response to take this forward to the 23/34 accounts.

The Committee raised a small number of queries in relation to the information heard regarding the Pension Fund Audit Findings Report, with the following responses provided:

- The Committee raised concerns that the Council incurred additional fees due to delays in providing adequate information to the auditors and queried how this could be avoided in the future. In response the Committee was advised that Brent Finance Team would re-affirm their expectations with Fund Managers to ensure that information is produced quickly when requested for audit purposes.
- Following a Committee observation that it may be beneficial to invite the auditors to Pension Sub Committee meetings, officers agreed that this would be considered for the work plan for the next financial year.

As there were no further questions the Chair moved the meeting on to allow discussion on the Annual Audit/Value for Money Report. Ahead of the report being introduced the Chair reminded Members that the report was for the Committee's consideration and comments ahead of going to Full Council for approval, therefore it was paramount that any questions in relation to the report were raised in the meeting as there would be no further opportunities for scrutiny on the item.

Ciaran McLaughlin, Key Audit Partner, introduced the report and highlighted the following key points:

- In line with Section 20 (1)(c) of the Local Audit and Accountability Act 2014, this report provided the auditors commentary relating to the Council's proper arrangements in relation to three areas, Governance, Financial Sustainability and Improving economy, efficiency and effectiveness.
- The Committee was advised that no significant weaknesses had been identified across all three areas and the Council were performing well.
- Some improvement recommendations had been highlighted; however it was noted that they were in the lowest tier of recommendations that could be raised.
- Auditors were satisfied that in terms of financial sustainability, the Council's short and medium term financial planning reflected the Council's strategic priorities.

- Auditors were satisfied that adequate arrangements were in place to effectively manage risk.
- Auditors were content with the management responses to the recommendations raised and felt the report was a positive reflection on Brent.

Councillor Tatler, Deputy Leader, Cabinet Member for Finance, Resources & Reform and Cabinet Member for Regeneration, Planning & Growth, thanked the external auditors for their work with Brent and for the suggested improvement recommendations that would support continued improvement of the financial systems Brent had in place.

The Committee had several questions for officers and the auditors in relation to the information heard on the Annual Auditors/Value for Money report, the following responses were provided:

- The Committee was assured that the recommendations in relation to Financial Sustainability were not suggestive of any major concerns, just a reflection on further ways to strengthen practice.
- Following a Committee query in relation to when it would be appropriate for the Council to start planning how the Dedicated Schools Grant (DSG) deficit would be managed when the statutory override expired in 2025/26, the Committee was advised that this was an issue affecting many Council's and if the government did not extend the override, all Council's would be expected to use general fund reserves to pay it off. The DSG deficit was regularly reviewed and plans that were put in place to reduce the deficit were starting to take effect. The Committee would be updated when information was received from the DfE that would inform how the Council would manage the deficit moving forward.
- The Committee queried what plans were in place to mitigate the forecast £13m overspend and whether it would be necessary to adjust the Council's reserve funds going forward. In response the Committee was assured that plans were in place to make savings across the Council and the budget would continue to be rigorously monitored. The biggest factor in the forecast overspend was in relation to temporary housing costs and the specific plans to mitigate these rising costs were expected to start taking effect from early in 2024.
- Following a Committee query in relation to whether the recommendations made in last year's audit had been delivered, the Committee was assured that the previous recommendations had been positively responded and as such there were no repeat recommendations made.
- The Committee recognised that the Medium Term Financial Strategy (MTFS) would be most affected by the national challenging economic environment, in response to these concerns, officers advised that scenario planning and modelling would thoroughly assess a spectrum of eventualities to ensure the Council's financial preparedness.
- The Committee raised a concern that Climate Risk was not part of the overall risk register, it was noted that this was unusual as it was a corporate issue rather than departmental. Officers advised this would be a consideration as part of the MTFS.

- The Committee required clarity on the constitution of the Brent Assurance Board who were referred to in the report as a second line of defence. Officers advised that the board was chaired by the Chief Executive and attended by the Corporate Director for Finance & Resources, Corporate Director of Governance, the Head of Internal Audit & Investigation, and other officers depending on the agenda for the meeting.
- The Committee raised their concerns that there was a further increase to audit fees from next year, however in the context of the number of public sector auditors available to fulfil audit appointments allocated though the PSAA; the Committee understood the limited options.

As there were no further questions, the Committee **RESOLVED** to recommend that the Audit & Standards Committee -

1. Approve the final statement of accounts 2022-23, subject to no further material changes.

2. Authorise the Chair of the Audit & Standards Committee to sign the final statement of accounts 2022/23, subject to receiving written assurances that there were no further material changes being required by the auditors.

3. Note the findings of the updated Audit Findings Report, including the additional recommendations.

4. Note the findings of the Value for Money report and commend it to Full Council.

5. Note that they are content with the increased level of audit fees as agreed with the PSAA.

5. **Any other urgent business**

The Chair extended his thanks to the Brent Council Finance Team and the external auditors for their support in the progress made with the Statement of Accounts 2022-23, as it was noted that Brent was in the top 1% of local authorities in getting their accounts to this stage. The Chair went on to give thanks and recognition to Ciaran McLaughlin, Key Audit Partner, Grant Thornton for his work with Brent as this would be his last meeting as Brent's key audit partner.

The next meeting was scheduled for Wednesday 6 December 2023

The meeting closed at 7:13pm

David Ewart
Chair

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London Borough of Brent
Audit & Standards Advisory Committee – Action Log December 2023

Meeting Date	Agenda No.	Item	Actions	Lead Officer and Timescale	Progress
26 September 2023	7	To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd	Chair and Vice Chair to seek the views from the Chairs of Brent's Scrutiny Committees in relation to the addition of the scrutiny of i4B and First Wave Housing on future scrutiny work plans	David Ewart/Councillor Chan 6 December 2023	In progress. Update to be provided at the next Committee meeting on 6 December 2023.
	8	Strategic Risk Register	Officers to consider how the Committee will receive assurance over other key risk areas that aren't reflected in the Strategic Risk Register, including Climate Change and revenue risks. Members to check that they are satisfied with the risks identified in the Risk Appetite Statement (2.3 of the report). Comments or adjustments to be emailed to Darren Armstrong.	Darren Armstrong 6 December 2023	In progress Update to be provided at the next Committee meeting on 6 December 2023.
	9	Statement of Accounts & Pension Fund Accounts/Audit Findings Report	The finalised Statement of Accounts will be considered by the Audit & Standards Advisory Committee on 12 October 2023. Following the Audit & Standards Advisory Committee's recommendation, the accounts will be formally approved by the Audit & Standards Committee on 12 October 2023.	Minesh Patel 12 October 2023	Completed -to be removed from action log. Following confirmation that all testing was complete; the accounts were signed by Councillor Chan as the Chair of the Audit & Standards Committee on 20 Oct 2023.

London Borough of Brent
Audit & Standards Advisory Committee – Action Log December 2023

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	Completed – to be removed from action log.
21 March 2023	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	Completed - to be removed from action log.
	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/Sheena Phillips	Completed – to be removed from action log.
		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)	Ongoing
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	Minesh Patel/Fabio Negro Darren Armstrong	Completed – to be removed from action log.

			Strategic Risk Register to support the Committee in understanding the risks over a longer time period.		
7 December 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	Completed - to be removed from action log.
29 September 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	Completed – to be removed from action log.

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	Audit and Standards Advisory Committee 6 December 2023
	Report from the Corporate Director of Governance
	Lead Cabinet Member **N/A**

Standards Report (including quarter two update on gifts and hospitality)

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One: Appendix A: Gifts & Hospitality Register (Qtr. 3)
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Debra Norman, Corporate Director Governance Debra.Norman@brent.gov.uk 0208 937 1578 Biancia Robinson, Senior Constitutional & Governance Lawyer Biancia.Robinson@brent.gov.uk 0208 937 1544

1.0 Purpose of the Report/Executive Summary

1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members and member training.

2.0 Recommendations

2.1 That the Committee note the contents of the report.

3.0 Detail

<u>Gifts & Hospitality</u>

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 third quarter of 2023/24 there have been eleven 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.

<u>Member Training Attendance</u>

3.5 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.

3.6 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 took place on the 05.10.23 with only the following Councillors yet to complete their training:

1) Cllr Narinder Bajwa,
2) Cllr Mary Mitchel, and
3) Cllr Mili Patel.

Both Cllr Mary Mitchel and Cllr Mili Patel are currently on maternity leave and officers have agreed to re-run a virtual session when they return. Officers can advise that Cllr Bajwa was invited to the training and sent a number of reminders through various means, but Officers were informed after the training took place that Cllr Bajwa was out of the country.

3.7 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.

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

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Appendix A
12 September 2023 to 27 November 2023

Councillor	Date of gift	Gift received	Value £	From
Paul Lorber	17.10.2023	Two tickets for England v Italy game at Wembley Stadium	100.00	FA (as a result of a draw organised by local residents)
Ketan Sheth	15.10.2023	An invitation to Reception. Westminster School, Dean's Yard, London SW1P 3PB.	20.00	Lieutenancy Office
	19.10.2023	An invitation to the University of East London’s 125th anniversary gala celebration. Great Hall, Water La	50.00	University of East London
	24.10.2023	An invitation to the inaugural Health Equity Summit. St Paul’s Centre, Queen Caroline Street, Hammersn	10.00	NHS NW London ICB
	28.10.2023	An invitation to Raas Garba and dinner. Sambhav House, Greenhill Way, Harrow HA1 1AF.	100.00	Raj Soni & family
Neil Nerva	21.09.2023	2 tickets to Kiln Theatre show "Mlima's Tale"	50.00	Kiln Theatre
	09.10.2023	Formal private dinner for invited Labour Councillors at the Labour Party Conference	50.00	LGIU
	31.10.2023	Ticket to Health Conference	100.00	New Statesman
Promise Knight	16.11.2023	2 Kiln Theatre tickets - Two Strangers	50.00	Kiln Theatre
Shama Tatler	14.09.2023	Celebrating Biodiversity - Pollination place + place at Kew Gardens	45.00	Mount Anvil
	15.11.2023	Annual "Private Rented Sector" Dinner at House of Lords	50.00	RPS & Weston Homes

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	Audit and Standards Advisory Committee 6th December 2023
	Report from the Corporate Director of Finance and Resources
	Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform

TREASURY MANAGEMENT STRATEGY 2024/25

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One: Draft Treasury Management Strategy 2024/25
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Amanda Healy Head of Finance Email: Amanda.healy@brent.gov.uk Tel: 020 8937 5912

1.0 Executive Summary

1.1 This report presents the draft Treasury Management Strategy (TMS) for 2024/25 for consideration by the Committee. The final version of the TMS incorporating the views of this Committee will be included in the annual budget setting report to be presented to Cabinet and Full Council in February 2024.

2.0 Recommendation(s)

2.1 That the Audit and Standards Advisory Committee considers and comments on the draft Treasury Management Strategy 2024/25 included in Appendix 1.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.2 Treasury Management underpins all aspects of financial management within the Council which enables the delivery of the priorities and objectives within the Borough Plan. Treasury Management activities are strictly regulated, and the Audit & Standards Advisory Committee are charged with scrutiny of the Treasury Management function in line with CIPFA's Prudential Code (2021) including reviewing the draft Strategy each year.

3.3 The Strategy sets out the framework for Treasury Management activity in 2024/25 and includes details on:

- Borrowing Strategy and sources of debt finance
- Investment Strategy, investment types and prescribed limits
- Treasury Management Indicators for 2024/25
- Alternative options/strategies
- External context
- Local context

3.4 The draft strategy is included in Appendix 1. Commentary or balances highlighted in yellow within the strategy relate to data available from 31st December 2023 and will be included in the subsequent version of the Strategy.

4.0 Financial Considerations

4.1 The planned treasury management activity outlined in Appendix 1 will result in interest costs as well as the generation of investment income for the Council. The Council's draft capital financing budget for 2024/25, including provisions for MRP (sums set aside for the repayment of debt) has been aligned with this strategy and will form part of the overall budget setting report scheduled to be presented to cabinet in February 2024.

5.0 Legal Considerations

5.1 There are no direct legal implications arising from this report.

6.0 Equality, Diversity & Inclusion (EDI) Considerations

6.1 There are no direct equality, diversity and inclusion implications arising from this report.

7.0 Stakeholder and ward member consultation and engagement

7.1 None.

8.0 Climate Change and Environmental Considerations

8.1 There are no climate change and environmental considerations arising from this report.

9.0 Human Resources/Property Considerations

9.1 There are no human resources or property considerations arising from this report.

10.0 Communication Considerations

10.1 There are no communication considerations arising from this report.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

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Appendix 1 - Draft Treasury Management Strategy Statement 2024/25

Commentary/balances highlighted in yellow relate to data from 31st December 2023 and will be included in a subsequent version of the Strategy Statement.

Introduction

1.0 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

2.0 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

3.0 Investments held for service purposes are considered separately within the Investment Strategy.

External Context

4.0 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25

5.0 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September and then again in November. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

6.0 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

7.0 Office for National Statistics (ONS) figures showed CPI inflation was 6.7% in September 2023, unchanged from the previous month but above the 6.6% expected. Core CPI inflation fell to 6.1% from 6.2%, in line with predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling, declining to around 4% by the end of calendar 2023 but taking until early 2025 to reach the 2% target and then falling below target during the second half 2025 and into 2026.

8.0 ONS figures showed the UK economy grew by 0.2% between April and June 2023. The BoE forecasts GDP will likely stagnate in Q3 but increase modestly by 0.1% in Q4, a deterioration in the outlook compared to the August MPR. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

9.0 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth remained strong, with regular pay (excluding bonuses) up 7.8% over the period and total pay (including bonuses) up 8.1%. Adjusted for inflation, regular pay was 1.1% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

10.0 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve paused in September and November, maintaining the Fed Funds rate target at this level. It is likely this level represents the peak in US rates, but central bank policymakers emphasised that any additional tightening would be dependent on the cumulative impact of rate rises to date, together with inflation and developments in the economy and financial markets.

11.0 US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But as the impact from higher rates is felt in the coming months, a weakening of economic activity is likely. Annual CPI inflation remained at 3.7% in September after increasing from 3% and 3.2% consecutively in June and July.

12.0 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.9% in October 2023. Economic growth has been weak, and GDP was shown to have contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has been increasing rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

Credit outlook

13.0 Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

14.0 On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

15.0 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

16.0 Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

17.0 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

18.0 However, the Council's counterparties remain well-capitalised. The Council will continue to utilise our Treasury adviser's advice on both recommended institutions and maximum duration, as well as reflecting economic conditions and the credit outlook in our approach.

Interest rate forecast (Nov 2023)

19.0 Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. They forecast the Bank of England's Monetary Policy Committee will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

20.0 Long-term gilt yields are expected to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

21.0 Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.

22.0 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4%, and that new long-term loans will be borrowed at an average rate of 5.5%.

Local Context

23.0 The Council's borrowing as at 31st December 2023 will be summarised in 24.0 below and detailed in Appendix 2 once available.

24.0 At 31st December 2023, the Council held £xxx.xm of borrowing (£xxx.xm long term and £xx.xm short term) and £xxx.xm of investments. This is set out in further detail at ***Appendix 2***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

25.0 Table 1: Balance sheet summary and forecast

	31/03/2023 Actual £m	31/03/2024 Forecast £m	31/03/2025 Forecast £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m
Capital Financing Requirement	1,146.4	1,369.5	1,624.2	1,757.7	1,780.7
Other debt liabilities*	36.2	32.5	74.9	70.4	67.7
Loans CFR	**1,182.6**	**1,402.0**	**1,699.1**	**1,828.1**	**1,848.3**
(less) External borrowing	(781.0)	(707.6)	(697.2)	(686.9)	(676.5)
Internal (Over) Borrowing	**401.6**	**694.4**	**1,001.9**	**1,141.2**	**1,171.8**
(less) Balance Sheet Resources	(517.8)	(517.8)	(517.8)	(517.8)	(517.8)
New borrowing (or Treasury Investments)	**(116.2)**	**176.6**	**484.1**	**623.4**	**654.0**

* leases and PFI liabilities that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

26.0 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's strategy has been to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This means the Council has minimised its interest costs by utilising internal resources over the short term instead of undertaking more expensive external borrowing. As our internal resources are being depleted, there is an increasing need for the Council to undertake new external borrowing to fund the capital programme. The Council will need to borrow up to £654.0m over the forecast period.

27.0 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25.

Liability Benchmark

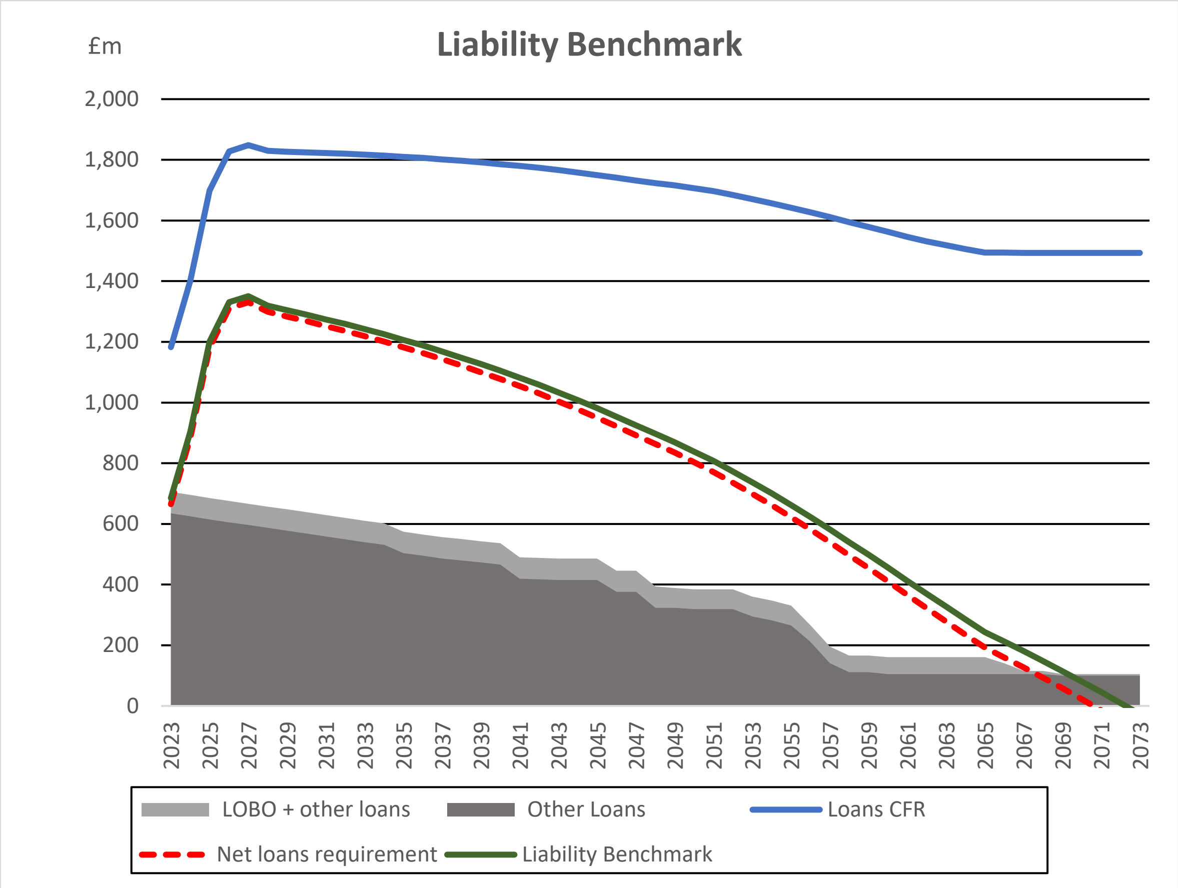
28.0 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level to maintain sufficient liquidity but minimise credit risk.

29.0 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

30.0 Table 2: Prudential Indicator: Liability benchmark

	31/03/2023 Actual £m	31/03/2024 Forecast £m	31/03/2025 Forecast £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m
Loans CFR	1,182.6	1,402.0	1,699.1	1,828.1	1,848.3
(less) Balance Sheet Resources	(517.8)	(517.8)	(517.8)	(517.8)	(517.8)
Net loans requirement	**664.8**	**884.2**	**1,181.3**	**1,310.3**	**1,330.5**
Liquidity Allowance	20.0	20.0	20.0	20.0	20.0
Liability Benchmark	**684.8**	**904.2**	**1,201.3**	**1,330.3**	**1,350.5**

31.0 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes minimum revenue provision on new capital expenditure based on a 5 - 60 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.



32.0 The Loan CFR (Blue lines) represents the need to fund capital expenditure through borrowing. The Liability benchmark (Green Line) represents the level of borrowing requirement once reserves and working capital has been taken into account. Where the liability benchmark exceeds the Council's current borrowing levels (Grey area), this indicates the real need to borrow.

Borrowing Strategy

33.0 As of 31 December 2023, the Council holds £x.xm million of loans, an increase of £x.xm compared to balances held at the start of the financial year (£781.0m), due to the decrease in internal cash reserves and planned capital expenditure. The balance sheet forecast in Table 1 shows that the Council expects to borrow up to £654.0m by 2026/27 however, this is largely dependent on how the capital programme progresses. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1.7 billion.

34.0 **Objectives:** The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

35.0 **Strategy:** Given the significant cuts to public expenditure and local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Interest rates have increased across the yield curve over the past year. The Council will continue to work closely with our Treasury advisors Arlingclose to ensure borrowing occurs at optimal points avoiding the worst of the market volatility. With interest rates currently above long-term averages, it is likely to be more cost effective in the short-term to either use internal resources, or to increasingly borrow under short to medium term loans instead. It is however expected for average rates to settle to a new norm of between 3-4%.

36.0 To ensure long term stability of the debt portfolio, a proportion of the portfolio will be funded by long term borrowing using a little and often approach. Where is affordable, this can help provide certainty to ensure the ongoing viability for capital programme schemes in these volatile markets.

37.0 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except the local Brent Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

38.0 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

39.0 The Council has previously raised the majority of its long term borrowing from the PWLB and will continue to do so in 2024/25.

40.0 PWLB loans are not available to local authorities planning to buy investment assets primarily for yield. The Council has not undertaken such borrowing and has no plans to in future, which ensures continuing access to PWLB borrowing facilities.

41.0 In addition to the above, the Council may borrow short-term loans to cover temporary cash flow pressures from other Local Authorities or public sector bodies.

42.0 **LOBOs:** The Council holds £70.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. None of the Council's LOBOs have option dates during 2024/25. Due to higher market rates, there is now an elevated risk that some existing LOBO's may require refinancing at higher rates or will require repaying upon future break dates.

43.0 **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section 76 below).

44.0 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Investment Strategy

45.0 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the first half of 2023/24, the Council's treasury investment balance has ranged between £56.1m and £122.0m due to capital expenditure utilising the Council's internal cash reserves. These balances are expected to reduce over time which will delay the need to seek new external borrowing.

46.0 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

47.0 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments such as Local Authority deposits or Money-Market Funds.

48.0 **ESG Policy -** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds for greater than a year, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

49.0 Currently, the majority of the Council's surplus cash remains invested in short-term money market funds. The average rate of interest received on short-term investments during the year to December 23 was x.xx% with an average duration of 1 day. Due to the authorities borrowing requirement, there is unlikely to be scope to improve the short term investment returns achieved as liquidity of the surplus funds will play a key role.

50.0 The Council will maintain a minimum investment balance of £10m to ensure the Council complies with the requirements to be a professional client under MIFID II regulations.

51.0 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

52.0 **Minimum Credit Rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose long-term credit rating is no lower than A-. The Council uses the lowest rating quoted by the main rating agencies, as recommended by CIPFA. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. Within these criteria the Corporate Director of Finance & Resources will have discretion to accept or reject individual institutions as counterparties on the basis of any information which may become available.

53.0 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Any institution will be suspended or removed should any factors give rise to concern, and caution will be paramount in reaching any investment decision regardless of the counterparty or the circumstances. Should an entity's credit rating be downgraded so that it does not meet the Council's approved criteria then:

- No new investments will be made;
- Full consideration will be made to the recall or sale of existing investments with the affected counterparty.

54.0 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

55.0 Having an appropriate lending list of counterparties, remains critically important to protecting Brent's investments. A list of extremely secure counterparties would be very small, and the limits with each would be correspondingly high. This would expose the Council to a risk of an unlikely but potentially large loss. This arises because the arrangements for dealing with banks in difficulty now require a loss to be imposed on various categories of liabilities of the banks to allow the bank to recapitalise itself and continue in business (sometimes referred to as bail in).

56.0 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

57.0 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

58.0 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. There is no upper limit to the maximum credit loss that the Council could suffer in the event of a bail-in scenario. See section 66 below for arrangements relating to operational bank accounts. Investments in unsecured deposits will be limited to £20m.

59.0 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed. Investments with registered providers will be limited to £20m in 2024/25.

60.0 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. The Council and its advisors remain alert for signs of credit or market distress that might adversely affect the Council. Investments in secured deposits will be limited to £20m.

61.0 **Money market funds (MMFs):** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times. Deposits will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £20m.

62.0 The investment strategy will provide flexibility to invest cash for longer periods in order to access higher investment returns. The upper limit for lending beyond a year is £50m. In practice, lending for more than one year will be only to institutions of the highest credit quality and at rates which justify the liquidity risk involved. Marketable instruments may have longer maturities, though the maturity will be considered in conjunction with the likely liquidity of the market and credit quality of the institution. Other than UK Central Government the Council may invest its surplus funds subject to a maximum duration of 25 years.

Alternative investment options will include:

63.0 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. Although considered as pooled funds, MMF's are discussed separately in paragraph 61. The Council currently has no investments in Pooled Funds (other than MMFs) at present, but may make prudent use of them in the future. Investments in pooled funds will be limited to £20m in 2024/25.

64.0 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. The risk with any investments in REITs is that shares cannot be withdrawn but can be sold on the stock market to another investor which leaves the Council open to market risk. Investments in REITs will be limited to £20m in 2024/25.

65.0 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

66.0 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The Council banks with National Westminster Bank (NatWest) who meet the Council's minimum credit criteria. Should Natwest's creditworthiness deteriorate below the Council's minimum credit criteria, then as far as is consistent with operational efficiency, no money will be placed with NatWest and credit balances in the various Council accounts will be kept to a minimum level.

67.0 **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £402.4 million on 31st March 2024. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and Council subsidiaries) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

Table 3: Investment Limits

	Credit Quality	Cash limit	Time Limit
Any single organisation, except a Government entity	A- Or equivalent	£20m	n/a
UK Government	Any	Unlimited	50 years
Local Authorities & other government entities	Any	Unlimited	25 years
Banks (unsecured)*	A- Or equivalent	£20m	13 months
Building Societies (unsecured)*	A- Or equivalent	£20m	13 months
Registered providers and registered social landlords*	A- Or equivalent	£20m	5 years
Secured investments*	A- Or equivalent	£20m	5 years
Money market funds*	A- Or equivalent	Lower of 5% of total net assets of the fund or £20m	n/a
Strategic pooled funds*	A- Or equivalent	£20m	n/a
Real estate investment trusts*	A- Or equivalent	£20m	n/a
Other Investments*	A- Or equivalent	£50m	5 years

***Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £200,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

68.0 **Liquidity management:** The Council uses internal purpose-built cash flow modelling tools to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The Council aims to spread its liquid cash over at least two providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

69.0 The Council measures and manages its exposures to treasury management risks using the following indicators.

70.0 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 4: Credit risk indicator

Credit risk indicator	Target
Portfolio average credit rating	A

71.0 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Table 5: Liquidity risk indicator

Liquidity risk indicator	Target
Total cash available within 3 months	£20m

72.0 **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Table 6: Interest rate risk indicator

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£5m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£5m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

73.0 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 7: Refinancing rate risk indicator

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	40%	0%

12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	60%	0%
10 years and within 20 years	75%	0%
20 years and within 30 years	75%	0%
30 years and within 40 years	75%	0%
Over 40 years	75%	0%

Time periods start on the first day of each financial year. LOBOs are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment.

74.0 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 8: Price risk indicator

Price risk indicator	**2023/24**	**2024/25**	**2025/26**
Limit on principal invested beyond year end	£50m	£50m	£50m

Related Matters

75.0 The CIPFA Code requires the Council to include the following in its treasury management strategy.

76.0 **Financial Derivatives:** A Derivative is a contract between two or more parties to hedge against the risk associated with the performance of an underlying asset. Local authorities have previously made use of financial derivatives embedded into its loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk.

77.0 The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

78.0 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.

79.0 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

80.0 In line with the CIPFA Code, the Council will seek external advice and consult with Members before entering into financial derivatives to ensure that it fully understands the implications however there are no current plans to enter this type of arrangement. This will include analysis of the impact on interest rate, refinancing, counterparty, market, regulatory and legal risks, together with an assessment on the effectiveness of the derivative.

81.0 **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.

82.0 **Markets in Financial Instruments Directive:** The MiFID II regulations took effect from January 2018 which saw the council reclassified as a retail client with the opportunity to opt up to professional client status. Retail clients have access increased protection however this would be balanced against potentially higher fees and access to a more limited range of products. The Council has opted up to professional client status with its providers of financial services, including advisors, banks, brokers and fund managers. Given the size and range of the Council's treasury management activities, the Corporate Director of Finance and Resources believes this to be the appropriate status for the Council's treasury management activities.

83.0 **Financial Implications:** The draft capital financing budget of £23.6m for 2023/24 has been calculated based on the reduction in balances available for investment and the increased external borrowing required.

84.0 **Other Options Considered:** The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Council believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Table 9: Alternative Strategies

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix 1 – Arlingclose Economic & Interest Rate Forecast – 7th November 2023

Economic Updates

- UK inflation and wage growth remain elevated but, following a no-change MPC decision in November, Bank Rate appears to have peaked in this rate cycle. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy likely slides into recession and inflation falls more quickly.
- The much-repeated message from the MPC is that monetary policy will remain tight as inflation is expected to moderate to target only slowly. In the Bank's forecast, wage and services inflation, in particular, will the keep CPI above the 2% target until 2026.
- The UK economy has so far been relatively resilient, but recent data indicates a further deceleration in business and household activity growth as higher interest rates start to bite. Global demand will remain soft, offering little assistance in offsetting weakening domestic demand. A recession remains a likely outcome.
- Employment demand is easing, although the tight labour market has resulted in higher nominal wage growth. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and rates remain high, consumer sentiment will deteriorate. Household spending will therefore be weak.
- Higher interest rates will also weigh on business investment and spending. Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant policy loosening in the future to boost activity.
- Global bond yields will remain volatile, particularly with the focus on US economic data and its monetary and fiscal policy. Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.
- There is a heightened risk of geo-political events causing substantial volatility in yields.

Interest Rate Updates

- The MPC held Bank Rate at 5.25% in November. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early to mid-2026.
- The immediate risks around Bank Rate remain on the upside, but these diminish over the next few quarters and shift to the downside before balancing out, due to the weakening UK economy and dampening effects on inflation.
- Arlingclose expects long-term gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.28	4.35	4.30	4.25	4.10	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.32	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.78	4.70	4.65	4.55	4.45	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.38	4.30	4.25	4.20	4.15	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

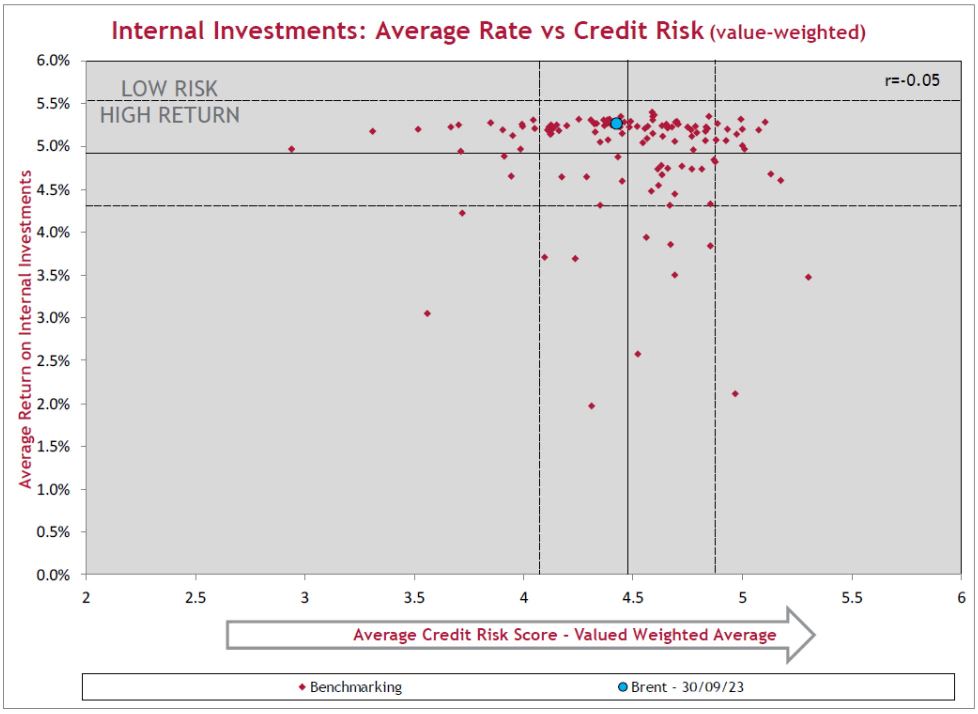
PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%
UKIB Rate (Maturity Loans) = Gilt yield + 0.40%

Appendix 2 – Existing Investment & Debt Portfolio Position

To note this data will be updated post 31st December 2023 with the current statistics.

	30/09/2023 **Actual Portfolio** **£m**	30/09/2023 **Average Rate** **%**
Long-term borrowing		
Public Works Loan Board	525.1	3.9%
LOBO's	70.5	4.6%
Other loans	95.0	2.4%
Short-term borrowing		
Public Works Loan Board	9.4	2.2%
Local Authorities	50.0	4.5%
Other	2.5	-
Total External Borrowing	**752.5**	**3.8%**
Other long-term liabilities:		
Private Finance Initiative	26.9	-
Finance Leases	7.7	-
Total other long-term liabilities	**34.5**	
Total gross external debt	**787.0**	
Treasury investments:		
Banks & building societies (unsecured)	**-**	**-**
Government (incl. local authorities)	**17.3**	**5.23%**
Money Market Funds	**101.2**	**5.27%**
Total treasury investments	**118.5**	**5.27%**
Net debt	**668.5**	

Appendix 3 – Internal Investments: Average Rate vs Credit Risk



A credit rating of 4 is equivalent to credit score of AA-. The Council has a target rating of A which is a rating of 6. The current portfolio has a credit rating of A+ (Credit score 5) which exceeds our target rating.

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	Audit and Standards Advisory Committee 6th December 2023
	Report from the Corporate Director of Finance and Resources
	Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform

Mid – Year Treasury Management Report 2023/24

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One: Mid – Year Treasury Management Report 2023/24
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Amanda Healy Head of Finance Email: Amanda.healy@brent.gov.uk Tel: 020 8937 5912

1.0 Executive Summary

1.1 This report updates Members on Treasury activity for the first half of the financial year 2023-24.

2.0 Recommendation(s)

2.1 The Committee is asked to note the 2023-24 Mid-Year Treasury report for reference on to Cabinet and Council, along with noting the fact that the Council has been fully compliant with the Treasury Management indicators.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.2 Treasury Management underpins all aspects of financial management within the Council which enables the delivery of the priorities and objectives within the Borough Plan. The Council's Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's Code of Practice (the CIPFA Code) on Treasury Management 2021. This requires the Council to approve Treasury Management mid-year and annual reports. The update report is presented here in-line with CIPFA's recommendations.

3.3 CIPFA published its revised Treasury Management Code of Practice (the TM Code) back in December 2021. The key changes in the two codes were around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the Code took immediate effect although local authorities were able to defer the revised reporting requirements until the 2023/24 financial year. In line with this, the Council has fully adopted the revised reporting requirements in the current financial year.

Background

3.4 Treasury Management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3.5 The Council's Treasury Management Strategy for 2023/24 was approved by Full Council on 23rd February 2023.

3.6 In addition to reporting on risk management, the Code requires the Council to report on any financial instruments entered into to manage treasury risks.

Economic Background

3.7 UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise. CPI inflation has subsequently fallen to 4.6% in October 2023, raising hopes that the impact of higher interest rates is reducing demand and inflationary pressures in the wider economy.

3.8 Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.4%, beating expectations of a 0.2% increase. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

3.9 July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

3.10 Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

3.11 The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

3.12 Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

3.13 The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

Financial Markets

3.14 Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

3.15 Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Local Context

3.16 On 31st March 2023, the Council had external borrowing of £781.0m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.03.23 Actual £m	**31.03.24 Forecast £m**
General Fund CFR	851.4	1,021.0
HRA CFR	295.0	348.4
Total CFR	**1,146.4**	**1,369.4**
*Other debt liabilities	36.2	32.5
Borrowing CFR	**1,182.6**	**1,401.9**
Less: External borrowing	(781.0)	(707.6)
Internal borrowing	401.6	694.4
Less: Balance sheet resources		
Usable Reserves	(491.2)	(491.2)
Working Capital	(26.6)	(26.6)
(Investments) / New Borrowing	**(116.2)**	**176.6**

* Finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

Table 2: Borrowing and Investment Portfolio

	31.03.23 Balance £m	Movement £m	30.09.23 Balance £m	30.09.23 Rate %
Long-term borrowing:				
PWLB	529.8	(4.7)	525.1	3.92%
LOBO's	70.5	-	70.5	4.64%
Other	95.0	-	95.0	2.37%
Short-term borrowing:				
PWLB	13.2	(3.8)	9.4	2.19%
Local Authorities	70.0	(20.0)	50.0	4.48%
Other	2.5	-	2.5	-
Total borrowing	**781.0**	**(28.5)**	**752.5**	**3.80%**
Short-term investments	116.2	2.3	118.5	5.27%
Total investments	**116.2**	**2.3**	**118.5**	**5.27%**
Net Borrowing	**664.8**	**(30.8)**	**634.0**	

Debt Management

3.17 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

3.18 The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority. It has no plans to do so in future.

Borrowing strategy and activity

3.19 As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

3.20 There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank Rate was 2% higher than at the end of September 2022.

3.21 UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

3.22 A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans. The HRA concessionary rate has had a limited impact so far as the significantly higher market rates still make the overall cost of borrowing relatively high which makes viability challenging. The availability of the HRA concessionary rate was extended in the 2023 Autumn statement and will now continue until 15th June 2024.

3.23 The UK Infrastructure Bank (UKIB) which is wholly owned and backed by HM Treasury has earmarked £4bn for lending to local authorities. Eligible projects must meet the Bank's investment principals: driving economic growth, developing infrastructure, delivering a positive financial return and crowding in private capital. The Treasury has provided £22bn in funding to the Bank over its first 5 years.

3.24 The Bank invested £1.1bn in 2022/23; although all of this was to the private sector (2021/22: £193m private, £117m public). Investments have included subsidy-free solar farms, gigabit broadband infrastructure and green buses. Loans are now available for qualifying projects at gilt yields plus 0.4%, which is 0.4% lower than the PWLB certainty rate. This was a recent reduction from the original offering of gilt yields plus 0.6%, in light of budgetary pressures arising from higher interest rates and gilt yields.

3.25 UKIB borrowing proposals must meet a strict set of criteria to be eligible. These include alignment with the government's net zero objectives and the project being an infrastructure asset or network. The UKIB does not support predominantly social infrastructure projects.

3.26 There may be an opportunity to borrow at lower rates from PWLB or UKIB in relation to the South Kilburn heat network. The GLA is providing low rate finance through the Mayor's Energy Efficiency Fund (MEEF) and the Mayor's Green Finance Fund, which was launched during London Climate Action Week 2023. The forecast development timetable of the heat network is likely to lead us to apply to the latter scheme when it opens for a second round of expressions of interest; expected in late 2023. Whilst the exact finance rates have not been confirmed, preliminary discussions have been held and funding is likely to be at lower rates those offered by the PWLB or the UKIB.

3.27 A summary of the Council's borrowing in the first half of 2023/24 is provided below:

Table 3 - Borrowing Position

	31.03.23 Balance £m	Movement £m	30.09.23 Balance £m	30.09.23 Weighted Average Rate %	30.09.23 Weighted Average Maturity (Years)
PWLB	543.0	(8.5)	534.5	3.89%	29.3
LOBO's	70.5	-	70.5	4.64%	41.0
Local Authority	70.0	(20.0)	50.0	4.48%	0.2
Other	97.5	-	97.5	2.31%	22.2
Total borrowing	**781.0**	**(28.5)**	**752.5**		

3.28 The Council's short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. The average rate on the Council's short-term loans at 30th September 2023 of £50.0m was 4.48%, this compares with 3.01% on £70m of loans 6 months ago.

3.29 The Council's main objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

3.30 In the first half of the year, new external long-term borrowing did not take place due to sufficient cash levels and high market rates making forward borrowing unattractive. Short-term borrowing continued to meet cash flow requirements. The Council continues to monitor borrowing rates with the objective to re-introduce the little and often approach for new long-term borrowing to support providing certainty on affordability for projects within the capital programme.

3.31 Borrowing costs on have increased significantly in recent months alongside increased market rates (see 3.7). The highest borrowing rate that has been agreed YTD was at 5.8% for a short-term 11 month borrowing period.

3.32 The Council has an increasing Capital Financing Requirement due to the elements of the capital programme funded by borrowing. An estimated borrowing requirement is determined by the liability benchmark, which takes into account the Council's usable reserves, planned capital expenditure and minimum revenue provision. Borrowing is also determined through detailed cashflow forecasting. This has shown that further borrowing in excess of £176.6m will be required in 2023/24.

3.33 The cost of PWLB and alternate borrowing options has continued to increase substantially in 2023/24, although rates have started to reduce very marginally in recent weeks. For our borrowing requirement, the PWLB remains the cheapest form of financing.

3.34 The Council has considered and will continue to monitor the possibility of agreeing forward funded deals if these are at advantageous rates. The Council will continue to monitor alternative sources of funding and pursue the lower cost solutions and opportunities as they arise. To date, no such opportunities have emerged, given the relatively high interest rate environment and expectation that rates will fall, making forward funding deals relatively unattractive.

3.35 Higher interest rates mean that it would be uneconomic to restructure existing PWLB debt. The majority of our existing long-term PWLB borrowing was secured at interest rates significantly lower than those which would be incurred on new borrowing arrangements. However this will be kept under review should interest rates be reduced in future.

3.36 The Council continues to hold £70.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No lender exercised their option in the first half of the year. However, due to higher market rates, there is now a significant risk that existing LOBO's may require refinancing at higher rates or repayment. £16m of LOBO's have break points in the second half of 2023/24 and may require repayment and refinancing at higher rates. One LOBO, outlined below, had a break point in Q1. However, the break clause was not exercised.

<u>LOBO's with break point in first half of 23/24</u>

	Amount £m	**Rate %**	**Final maturity**	**New rate proposed**	**Action taken by the Council**
Loan 1	10.0	4.1	19/05/2055	None	None

<u>LOBO's with break points in the remainder of 23/24</u>

	Amount £m	**Rate %**	**Final maturity**
Loan 1	5.0	4.72%	18/11/2077
Loan 2	11.0	4.99%	12/02/2067

Treasury Investment Activity

3.37 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £56.1m and £122.0m due to timing differences between income and expenditure.

3.38 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

3.39 The Council's investment position is shown in the table below.

	Balance b/f 01/04/23 £m	**Investments Repaid £m**	**New Investments £m**	**Balance c/f 30/09/23 £m**
Debt Management Account Deposit Facility	-	(147.5)	164.8	17.3
Money Market Funds	116.2	(348.2)	333.2	101.2
Total Investments	**116.2**	**(495.7)**	**498.0**	**118.5**

Average rate of investments	**Return %**
Debt Management Account Deposit Facility	4.68%
Money Market Funds	4.53%

3.40 The Council holds most of its cash in Money Market Funds. The return on Money Market Funds has increased reflecting the higher interest rate environment. As at 30th September our Funds were paying rates between 5.20% - 5.35%. The Council also uses the Debt Management Agency's Deposit Facility (DMADF) for short-term cash deposits, which pays comparable rates.

3.41 The inter-local authority market has also seen higher interest rates. However, as at 30th September the Council did not hold any short-term deposits with other local authorities, as the liquidity offered by the money market funds was of greater benefit.

3.42 There was a modest increase of £2.3m in short term investments in the first half of the year. Investment balances are expected to reduce in the second half of the year in-line with the Council's cashflow requirements. The Council is reviewing its borrowing options which include short-term local authority borrowing, longer-term PWLB borrowing and forward borrowing (agreement to borrow at an agreed future date and rate in the future).

3.43 Security of capital has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2023/24. In accordance with the policy, new investments can be made with the following classes of institutions:

- A+ or above rated banks;

- AAA rated Money Market Funds;
- Other Local Authorities;
- Housing Associations;
- UK Debt Management Office;
- Corporate Bonds
- Collective Investment Schemes (Pooled Funds)
- Real Estate Investment Trusts

3.44 A short summary of the investment products available to the council along with an indication of the main driver behind their financial return and an indication of relative risk is provided below:

Asset Classes (approx. return)	**Cash (1.4%)**	**Bonds (-4.6%)**	**Equities (-0.9%)**	**Property (-19.7%)**
Income driven by	Short term interest rates	Medium term interest rates	Dividends/ share prices	Rental income/ vacancies
Key Risk(s)	Bank defaults	Company defaults	Company performance and perception of future performance	Property prices, least liquid asset class

3.45 Investments in Equities, Property and Bonds tend to be considered over a longer time frame, which are not currently suitable for the Council given its significant capital spending plans.

Risks

3.46 Regardless of the approach taken, the Council will be required to manage significant risks in relation to its treasury investment portfolio. Some key risks are:

- <u>Credit risk</u> - the risk that a bank or other institution will not be able to pay back the money invested with it. For longer term investments, the council is more exposed to credit risk. Should a counterparty's credit worthiness change, the council may not be able to get all their money back or may face heavy penalties if it can do so.

Mitigation – see Prudential Indicator 1 (Security) – Appendix 1

- Liquidity risk - that is the council having funds tied up in long-term investments when it needs to use that money. Increasing the duration of fixed cash deposits increases liquidity risk, however this can be mitigated through good cash flow management.

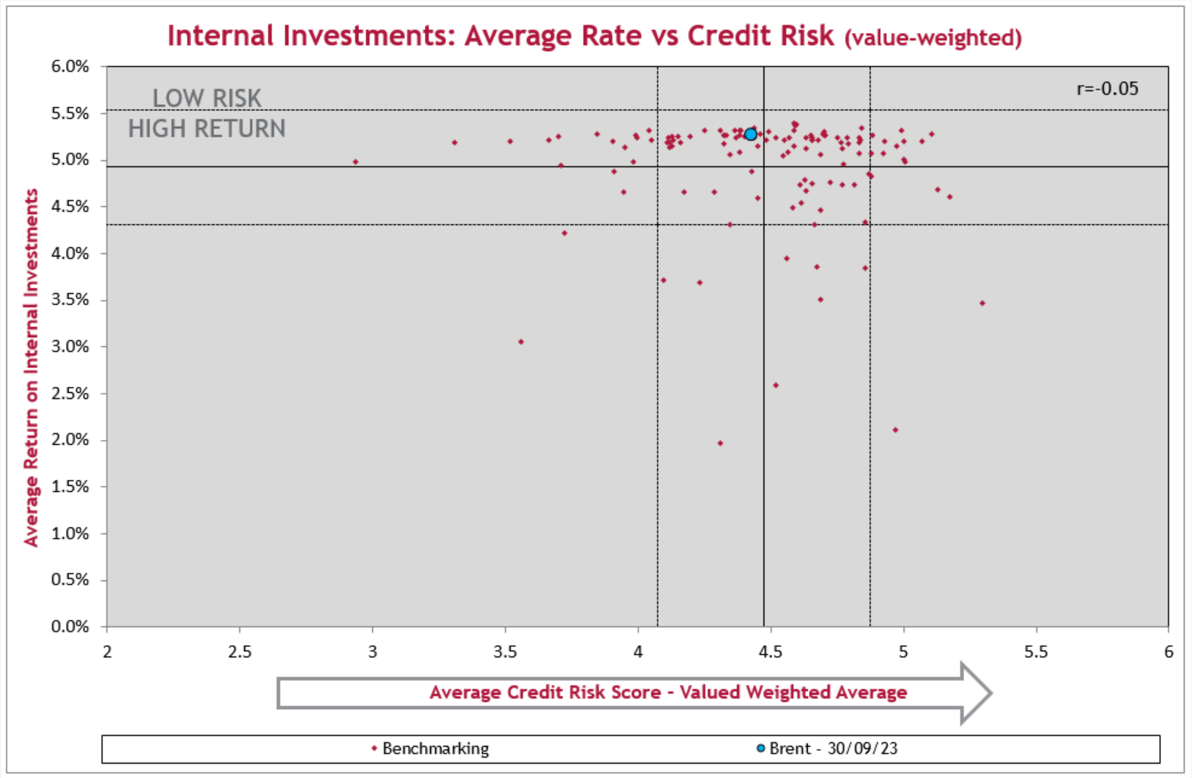
  Mitigation – see Prudential Indicator 2 (Liquidity) – Appendix 1

- Interest rate risk – the risk of the council's budget being affected by unforeseen changes in interest rates. Longer term cash deposits increase this risk and will negatively affect the council should interest rates rise. On the other hand, the council may benefit should interest rates fall.

  Mitigation – see Prudential Indicator 3 (Interest Rate Exposure) – Appendix 1

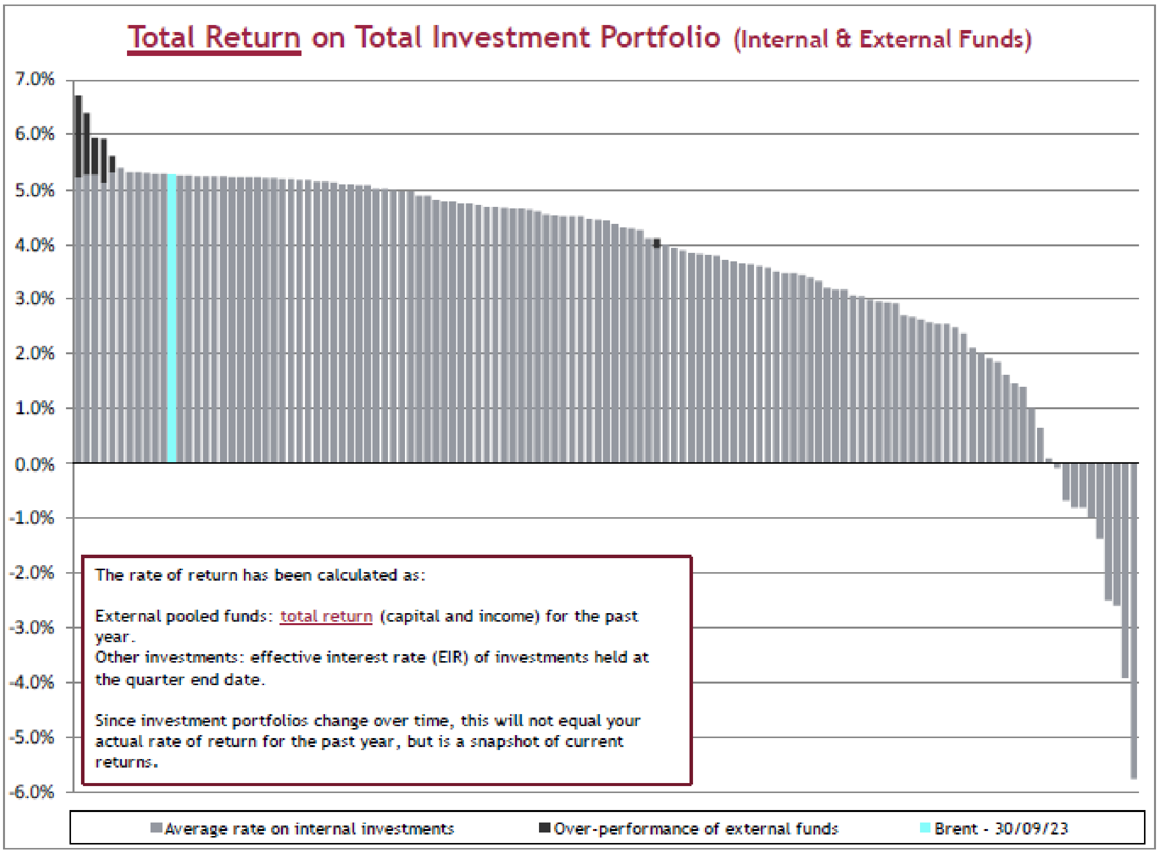
Benchmarking to other councils

3.47 The graph below shows a comparison in performance between Brent's investment portfolio and those of Arlingclose's (the Council's treasury advisor) other Local Authority clients. Brent's portfolio has an average risk profile compared with other authorities.



3.48 Our investment portfolio has a credit rating of AA- (equivalent to a Credit Risk Score of 4.42 in the table above). The credit rating achieved on our investments exceeds our target rating of A (which equates to a Credit Risk Score of 6 in the table above). The lower the Average Credit Risk score in the table above, the better the credit rating of the counterparties with which we hold investments.

3.49 A credit rating of 'A' per the Fitch agency indicates that an organisation has low default risk, but may be vulnerable to adverse economic conditions. A credit rating of 'AA' denotes that an organisation has very low default risk and is not significantly vulnerable to foreseeable events. The '+' and '-' are further delineations for each credit rating.



3.50 Our investment returns have been amongst the top 10 of our Treasury Adviser's clients. This is due to the short-term nature of our investment portfolio, enabling us to benefit promptly from the rising interest rate environment.

Budgeted Income And Outturn

3.51 The Council's external interest budget for the year is £21.8m, and for investment income is £11.3m. The average cash balances were £100.2m during the period to 30 September 2023. The Council expects to receive significantly higher income from its cash and short-dated money market investments than it did in 2022/23 and earlier years due to the higher interest rate environment and the immediate cash requirements, which only allow for short-term investments.

3.52 Reviewing the wider Capital Financing Budget, we are currently forecasting an overspend of £0.4m, with a forecast of £24.3m against a budget of £23.9m. This is driven by higher short-term interest payments which outweigh the benefit of increased interest income from our short-term investments.

Compliance

3.53 Officers confirm that they have complied with its Treasury Management Indicators for 2023/24, which were set in February 2023 as part of the Council's Treasury Management Strategy Statement (TMSS). Details can be found in Appendix 1.

Summary

3.54 In compliance with the requirements of the CIPFA Code of Practice, this report provides Members with a summary report of the treasury management activity during the first half of 2023/24. As indicated in this report, none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

4.0 Financial Implications

4.1 These are covered throughout the report.

5.0 Legal Implications

5.1 There are no direct legal implications arising from this report.

6.0 Equality, Diversity & Inclusion (EDI) Considerations

6.1 There are no EDI considerations arising from this report.

7.0 Consultation with Ward Members and Stakeholders

7.1 There are no direct considerations arising from this report.

8.0 Human Resources/Property Implications

8.1 There are no HR or property considerations arising from this report.

9.0 Climate Change and Environmental Considerations

9.1 There are no climate change or environmental considerations arising from this report.

10.0 Communication Considerations

10.1 There are no direct communication considerations arising from this report.

Related Documents:

<u>Report sign off:</u> ***Minesh Patel*** Corporate Director of Finance and Resources

Appendix 1 Treasury Management Prudential Indicators

1. Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit Risk Indicator	2023/24 Target	30/09/23 Actual	Complied
Portfolio Average Credit Rating	A	AA-	Yes

2. Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity Risk Indicator	2023/24 Target £m	30/09/23 Actual £m	Complied?
Total cash available within 3 months	20.0	118.5	Yes

3. Interest Rate exposure

This indicator is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Interest Rate risk indicator	2023/24 Upper Limit £m	30/09/23 Actual £m	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	5.0	1.4	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	5.0	(1.4)	Yes

For context, a summary of the changes in interest rates in the first half of 2023/234 is below.

Interest Rate	31/03/2023	30/09/2023
Bank of England base rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.69%
5-year PWLB certainty rate, maturity loans	4.31%	5.22%

10-year PWLB certainty rate, maturity loans	4.33%	5.26%
20-year PWLB certainty rate, maturity loans	4.70%	5.64%
50-year PWLB certainty rate, maturity loans	4.41%	5.43%

4. Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The Council uses the option date as the maturity date for LOBO loans.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing at 30/09/23	% of Fixed Rate Borrowing at 30/09/23	Compliance with set limits?
	%	%	£m	%	Yes / No
Under 12 months	40%	0%	52.5	7.0%	Yes
12 months and within 24 months	40%	0%	0.0	0.0%	Yes
24 months and within 5 years	40%	0%	0.0	0.0%	Yes
5 years and within 10 years	60%	0%	4.5	0.6%	Yes
10 years and within 20 years	75%	0%	209.4	27.8%	Yes
20 years and within 30 years	75%	0%	126.3	16.8%	Yes
30 years and within 40 years	75%	0%	199.3	26.5%	Yes
40 years and within 50 years	75%	0%	160.5	21.3%	Yes
50 years and above	75%	0%	0.0	0%	Yes
			752.5	**100%**	

5. Prudential Indicator: Capital Financing Requirement

	31/03/2023	31/03/2024	31/03/2025	31/03/2026
	Actual	Forecast	Forecast	Forecast
	£m	£m	£m	£m
Capital Financing Requirement	1,146.4	1,369.5	1,624.2	1,757.7
Other debt liabilities*	36.2	32.5	74.9	70.4
Loans CFR	**1,182.6**	**1,402.0**	**1,699.1**	**1,828.1**
(less) External borrowing	(781.0)	(707.6)	(697.2)	(686.9)
Internal Borrowing	**401.6**	**694.4**	**1,001.9**	**1,141.2**
(less) Balance Sheet Resources	(517.8)	(517.8)	(517.8)	(517.8)
New borrowing (or Treasury Investments)	**(116.2)**	**176.6**	**484.1**	**623.4**

6. Prudential Indicator: Liability Benchmark

	31/03/23 Actual £m	31/03/24 Forecast £m	31/03/25 Forecast £m	31/03/26 Forecast £m
Loans CFR	1,182.6	1,401.9	1,699.1	1,828.1
Less: Balance sheet resources	(517.8)	(517.8)	(517.8)	(517.8)
Net loans requirement	**664.8**	**884.2**	**1,181.3**	**1,310.5**
Plus: Liquidity allowance	20.0	20.0	20.0	20.0
Liability benchmark	**684.8**	**904.2**	**1,201.3**	**1,330.3**
Existing borrowing	**781.0**			

7. Debt and the Authorised Limit and Operational Boundary for external debt

	2023/24 H1 Maximum £m	30.09.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	781.0	752.5			
PFI and Finance Leases	34.5	34.5			
Total debt	**815.5**	**787.0**	**1,500.0**	**1,700.0**	**Yes**

The Authorised Limit sets the maximum level of external borrowing that the Council can incur. The Operational Boundary for External Debt is not a limit and actual borrowing can vary around the boundary. The Operational Boundary acts as an early indicator to ensure that the Authorised Limit is not breached.

8. Investment Limits

	2023/24 Maximum £m	30.09.23 Actual £m	2023/24 Time Limit	Complied?
Any single organisation, except a Government Entity	20	0	n/a	Yes
UK Government	Unlimited	0	50 Years	Yes
Local Authorities & other government entities	Unlimited	0	25 Years	Yes
Banks (unsecured)	20	0	13 months	Yes
Building Societies (unsecured)	20	0	13 months	Yes

Registered providers and registered social landlords	20	0	5 years	Yes
Secured investments	20	0	5 years	Yes
Money market funds	Lower of 5% of total net assets of the fund or £20m	20	n/a	Yes
Strategic pooled funds	20	0	n/a	Yes

9. Upper Limit for Total Principal Sums invested over 364 Days

Upper Limit for Total Principal Sums Invested Over 364 Days	2023/24 Approved £m	Q2 2023/24 Actual £m
Limit on principal invested beyond a year	50	0

10. Investment Rate of Return

This indicator demonstrates the rate of return obtained from the different investment categories.

Investments rate of return	2023/24 Budget	2023/24 Actual
Treasury management investments	3.10%	5.08%
Service investments: Loans	3.90%	3.11%

Brent	**Audit and Standards Advisory Committee** 6th December 2023
	Report from the Corporate Director of Finance and Resources
	Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform

INTERNAL AUDIT INTERIM REPORT – 2023-24

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Appendix 1 – Status and Delivery of 2023-24 Plan Appendix 2 – Summary of Audit Findings Appendix 3 – Summary of Follow-up Activity
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Darren Armstrong, Head of Audit and Investigations Darren.Armstrong@Brent.gov.uk; 020 8937 1751

1.0 Executive Summary

1.1. This report outlines the work undertaken by Internal Audit in respect of delivery of the 2023-24 Internal Audit Plan.

1.2 The report is intended to support the Audit and Standards Advisory Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by summarising delivery of the 2023-24 Internal Audit plan to date, updating on the performance of the function, highlighting areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

2.0 Recommendation

2.1 The Committee is asked to note the contents of the report.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The role and mission of the Internal Audit function is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the governance, risk management and control processes in place.

3.1.2 The mission of Internal Audit is achieved through providing a combination of risk-based assurance and consulting activities. The assurance suite of work involves assessing how well the systems and processes are designed and operating in order to effectively mitigate risk, while consulting activities aid with the improvement in systems and processes where necessary.

3.1.3 The response of the Council to the activity of Internal Audit should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

3.2 Background

3.2.1 The Council's Internal Audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the requirements for public sector internal auditing and encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.

3.2.2 The delivery of the service is also underpinned by the Internal Audit Charter, which defines the purpose, authority, responsibility and position of Internal Audit within Brent Council. The function continues to operate a co-sourced delivery model, where internal audit services are provided by in-house staff, with a small portion of work delivered by a co-sourced provider, PwC.

3.3 Delivery of the 2023-24 Plan

3.3.1 The 2023-24 Internal Audit Plan was agreed by the Audit and Standards Advisory Committee in March 2023, and was developed to provide assurance against key risk areas that may threaten the achievement of the Council's corporate objectives and priorities. The plan was drafted from a number of sources including the Council's latest strategic risk register, an Internal Audit risk assessment, audit plans of other local authorities, intelligence from previous audits, and CIPFA good governance guidelines. The plan also seeks to provide rolling assurance over the Council's key systems and processes, including key financial systems, and areas where senior management has requested independent assurance.

3.3.2 While Internal Audit delivers a risk based annual audit plan, the service remains available to provide ad hoc consultancy and advice work in addition to the agreed plan. This approach allows Internal Audit to flex its resources and to proactively support control enhancements across a number of areas.

3.3.3 A summary of the performance against the 2023-24 Internal Audit Plan is shown in the table below:

Summary of Internal Audit Activity *(as at 31 October 2023)*	**Number**
Audits carried forward from 2022-23	10
Audits per the 2023-24 Plan	32
Additional reviews requested	4
Total audits planned for 2023-24	**46**
- Audits completed (final report issued)	14
- Audits at draft report stage	1
- Audits in progress/planning	16
- Audits not yet commenced	13
- Audits cancelled	2
Follow-up reviews completed	**6**

3.3.4 A detailed summary of the status and number and level of risk issues raised against each audit included within the 2023-24 plan can be seen at ***Appendix 1***.

3.3.5 For audits completed in Q1/2 2023-24, a summary of issues relating to audits completed since the last update provided in June 2023 can be seen at ***Appendix 2.***

3.4 Summary of Risk Issues

3.4.1 For each review undertaken, where gaps or weaknesses in the design and operation of controls are highlighted, or where areas for the further improvement/enhancement of controls are identified, recommendations are raised and agreed with management.

3.4.2 Findings and issues raised by Internal Audit (and therefore the resulting recommendations) are graded in terms of the associated level of risk. An indication of the level of assurance and confidence provided from an audit review is therefore gained by examining the number and level of issues identified.

3.4.3 The following definitions are used to inform these ratings:

Critical	A finding that could have a: critical impact on operational performance; critical monetary or financial statement impact; critical breach in laws and regulations that could result in material fines or consequences; and/or a critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: significant impact on operational performance; significant monetary or financial statement impact; significant breach in

	laws and regulations resulting in significant fines and consequences; and/or a significant impact on the reputation or brand of the organisation.
Medium	A finding that could have a: moderate impact on operational performance; moderate monetary or financial statement impact; moderate breach in laws and regulations resulting in fines and consequences; and/or a moderate impact on the reputation or brand of the organisation.
Low	A finding that could have a: minor impact on the organisation's operational performance; Minor monetary or financial statement impact; minor breach in laws and regulations with limited consequences; and/or a minor impact on the reputation of the organisation.

3.4.4 The below table summarises the number of issues raised in-year in respect of the delivery of the 2023-24 plan to date:

	Number	**%**
Total number of issues raised in 2023-24 to date:	**43**	
Critical risk	0	*0%*
High risk	10	*23%*
Medium risk	22	*51%*
Low risk	11	*26%*

3.4.5 A detailed summary of the number and level of risk issues raised against each audit included within the 2023-24 plan can be seen at ***Appendix 1.***

Additional Reviews

3.4.6 Internal Audit continued to carry out consultancy and advice work during the year, where required and/or requested. To date, four additional pieces of work have been undertaken:

- Nursery Education Grant (NEG2) Overpayment.
- Alternative Provision Grant- Brent River College.
- ASC Supported Living.
- Barham Park Financial Review.

3.4.7 Internal Audit have continued to complete the periodic reviews of payment claims for the Supporting Families Programme and carried out grant determinations.

3.5 School Reviews

3.5.1 A programme of school audits is undertaken to provide assurance over the key governance arrangements and financial management controls in place within individual schools. Seven school audit reviews are scheduled to be carried-out as part of the 2023-24 plan. To date:

- Fieldwork has been completed at two schools.
- Two school audits are scheduled to be undertaken in Q3.
- Three school audits are scheduled to be undertaken in Q4.

3.5.2 Audit has also been requested to carry out a review of the Brent Music Service. Planning for this is currently in progress.

3.6 Follow-up Activity

3.6.1 Internal Audit recommendations emanating from all planned audit work is subject to follow-up to ensure that agreed actions have been implemented.

3.6.2 So far during 2023-24, 6 follow-up reviews have been completed relating to audit work completed in 2022-23. The result of which is summarised in the below table:

Action Status	High	Medium	Low
Total Actions	**4**	**36**	**11**
Implemented	2 (50%)	24 (67%)	10 (91%)
Partially Implemented	2 (50%)	8 (22%)	0
Not Implemented	0	4 (11%)	1 (9%)
No longer relevant or superseded	0	0	0

3.6.3 Details of follow-up activity relating to 2023-24 can be seen at ***Appendix 3***.

3.6.4 Where actions were found to remain partially or not implemented, Internal Audit have agreed revised implementation dates.

3.7 Overdue actions

3.7.1 Where actions are found to remain partially or not implemented at follow-up, revised target dates are agreed with management. Outstanding actions are then monitored and reported via departmental 'action trackers', which are reported to Departmental Management Teams on a quarterly basis. These trackers contain all actions that relating to audits or follow-up work completed since 2021-22, including those that may not yet be due for implementation, or where a follow-up is in progress.

3.7.2 In order to identify actions as 'overdue', the following criteria is applied:

a) Internal Audit has undertaken/completed a follow-up review.
b) The actions were assessed as being partially or not implemented; and
c) The revised target implementation date has elapsed.

3.7.3 Using the above criteria, we can report the following position of overdue actions as of 31 October 2023:

Number of actions outstanding (past revised target dates)	**28**	
Critical risk	**0**	0%
High risk	**5**	18%
Medium risk	**18**	64%
Low risk	**5**	18%

3.7.4 It should be noted that this is a live and ongoing process, and therefore the position of overdue actions changes on a daily/weekly basis. Internal Audit continues to liaise with management to close all outstanding actions. Engagement with management continues to be positive, and any issues regarding the persistent non-implementation of actions will be raised with the Audit and Standards Advisory Committee as appropriate.

3.8 Internal Audit Performance

3.8.1 One of the core principles of the PSIAS is quality assurance and continuous improvement. To this end, the PSIAS require the HIA to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of internal audit activity.

3.8.2 Internal Audit has developed a QAIP that is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- performs its work in accordance with the PSIAS (including the Definition of Internal Auditing and Code of Ethics) and the CIPFA Statement on the role of the Head of Internal Audit;
- operates in an effective and efficient manner;
- is perceived by stakeholders as adding value and continually improving its operations; and
- undertakes both periodic and on-going internal assessments, and commissions an external assessment at least once every five years.

Internal Assessments

3.8.3 In accordance with the PSIAS, internal quality and performance assessments are undertaken through both on-going and periodic reviews. On-going assessments are conducted as a matter of course, in-line with the service's protocols and audit methodology. These assessments include management supervision of audit activity, the application of a consistent audit methodology across audits, regular 1:2:1s between audit management and auditors to review and monitor performance, and the review and approval of all outputs by the Audit Manager and HIA.

3.8.4 Regular periodic assessments are also undertaken during the year to monitor and measure the impact of, and value added by the delivery of the annual audit plan. A key aspect of these assessments comprises of the quarterly progress reports presented to the Audit and Standards Advisory Committee, which summarise progress against the annual plan and key outcomes of audit activity. Furthermore, an annual assessment is undertaken in drafting the annual audit plan, which is aligned to the Council's Strategic Risk Register to ensure that the work of internal audit centres around the key risks that threaten the achievement of corporate objectives.

3.8.5 Other periodic assessments include (but are not limited to):

- annual self-assessments to ensure conformance with the PSIAS;
- regular feedback from senior management and Council Management Team
- benchmarking with other London Borough internal audit services, via the Cross Council Assurance Service and London Audit Group.

External Assessments

3.8.6 The PSIAS require that an External Quality Assessment (EQA) of Internal Audit is undertaken at least every five years. As reported in June 2023, a review of Internal Audit's performance was undertaken in Q3-4 2022-23. The assessment was led by the Head of Internal Audit for the London Borough of Barnet and found that the Internal Audit Service ***Generally Conforms*** with the PSIAS, which is the highest available level of assessment for local authorities.

Key Performance Indicators

3.8.7 To complement and inform the ongoing and periodic assessments detailed above, Key Performance Indicators (KPIs) have been defined to measure the performance of the internal audit service. Achievement scores against each of these KPIs will be reported as part of the 2023-24 Annual Report. An interim update has been provided below:

KPI	Status
KPI1 - 90% of the Annual Internal Audit Plan completed by 31 March (conclusion of fieldwork)	*Internal Audit continues to carry a vacancy from late Q2 to now. This has impacted on the delivery of the plan. However, it is anticipated that the KPI is on track to be achieved.*
KPI2 - 100% of the Annual Internal Audit Plan completed by 30 April (conclusion of fieldwork)	*Internal Audit continues to carry a vacancy from late Q2 to now. This has impacted on the delivery of the plan.*

KPI	Status
	However, it is anticipated that the KPI is on track to be achieved.
KPI3 - 100% acceptance of all Critical and High risk recommendations	***100%*** *acceptance of all high-risk recommendations (no Critical recommendations).*
KPI4 – Follow-up of all Critical and High-risk recommendations within (at least) 12 months of the final report being issued.	***100%*** *followed up within 12 months.*
KPI5 - 90% of client satisfaction surveys rated the service as good or better.	*One form returned so far. KPI on target.*

4.0 Stakeholder and ward member consultation and engagement

4.1 None

5.0 Financial Considerations

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

6.0 Legal Considerations

6.1 All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards 2017, also require proper planning of audit work.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 None

8.0 Climate Change and Environmental Considerations

8.1 None

9.0 Communication Considerations

10.1 None

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

Appendix 1 - Status and delivery of 2023-24 Plan (including carry overs from 2022-23)

Audit / Indicative Scope (as per 2023-24 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
Capital Programme *A risk-based review to provide assurance over the effectiveness of the controls in place for the Council's approach and methodology to Capital Programme.*	*Completed*		1		*See summary of findings at Appendix 2.*
Key Financial Controls – Payroll *A risk-based review to provide assurance over* the design and operating effectiveness of the Council's key financial controls relating to payroll.	*Completed*	2	2		*See summary of findings at Appendix 2.*
Financial Strategy/Savings Programme *A risk-based review to provide assurance on the processes and risks associated with the Medium-Term Financial Strategy (MTFS) and Savings Programme, with specific focus on governance and reporting and delivery plans.*	*Completed*		1	2	*See summary of findings at Appendix 2.*
Family Wellbeing Centres *A risk-based review to provide assurance on the relevant risks and implemented controls within Family Wellbeing Centres.*	*Completed*		3	1	*See summary of findings at Appendix 2.*
Key Financial Controls - NEC Northgate Housing Benefits *The objective of this review was to ensure that the data relating to housing benefit payments is complete, accurate, valid, and properly recorded in the underlying accounts.*	*Completed*	2	1		*See summary of findings at Appendix 2.*
Licensing *A risk-based review to provide assurance on the effectiveness and robustness of the Council's arrangements for issuing licenses and*	*Completed*	1	4		*See summary of findings at Appendix 2.*

Audit / Indicative Scope (as per 2023-24 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
monitoring licensed establishments enabling the Council to comply with statutory obligations.					
Tenancy Management Organisation – Kilburn *A risk-based review to ensure that management has assessed all relevant risks and implemented adequate and effective controls within Kilburn Park Tenancy Management Organisation.*	*Completed*	4	3		*See summary of findings at Appendix 2.*
Better Care Fund *The objective of this audit was to assess the control design of the processes related to the planning of the delivery of the Better Care Fund (BCF) and monitoring and reporting of performance and budgets by the integrated service teams.*	*Completed*		3		*See summary of findings at Appendix 2.*
Private Sector Property Licensing (HMO) *A risk-based review to ensure that management has assessed all relevant risks and implemented adequate and effective controls within the Houses of Multiple Occupation (HMO) License process.*	*Completed*		1	6	*See summary of findings at Appendix 2.*
No Recourse to Public Funds (NRPF) and Intentionally Homeless *A risk-based review to ensure that management has assessed all relevant risks and implemented adequate and effective controls when providing support to families that have No Recourse to Public Funds.*	*Completed*		1	2	*See summary of findings at Appendix 2.*
Community Grants Management *An advisory review to examine the Council's revised arrangements surrounding the administration of NCIL and to provide recommendations to improve on the effectiveness and robustness of the grant funding process and to ensure that grants are administered and managed in accordance with the Authority's approved policies, procedures and practices.*	*Completed*	n/a	n/a	n/a	N/A
Barham Park Accounts	*Completed*	n/a	n/a	n/a	N/A

Audit / Indicative Scope (as per 2023-24 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
To provide an independent examination and review the Barham Park Trust ("the Trust") 2022-23 accounts.					
Nursery Education Grant2 Overpayment *Management request to provide additional support and guidance to staff who are responsible for completing and approving payments to Providers of the Nursery Education Grants.*	*Completed*	1	2		*See summary of findings at Appendix 2.*
Annual Provision Grant - Brent River College *(Additional Request)* *Internal Audit acted as an independent examiner and reviewed Annual Certification of Expenditure for Brent River College for 2022-23.*	*Completed*	n/a	n/a	n/a	N/A
Information Governance – Data Breaches *A risk-based review of the arrangements in place to prevent, identify and report data breaches.*	*Draft Report Stage*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Tenancy Management Organisation Watling Gardens *A risk-based review to ensure that management has assessed all relevant risks and implemented adequate and effective controls within Watling Gardens Tenancy Management Organisation.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Housing Compliance FRAs *A risk-based review to provide assurance of the controls in place over the Council's responsibilities for fire safety across its property portfolio.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
ASC Supported Living *A risk-based review to provide assurance on the effectiveness and robustness of the Council's arrangements for supported living to ASC service users.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Pension Fund	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.

Audit / Indicative Scope (as per 2023-24 Plan)	**Status**	**Summary of issues**			**Comments**
		High Risk	**Medium Risk**	**Low Risk**	
A risk-based review to provide assurance on the effectiveness and robustness of the control framework for the Council's arrangements for the pensions' contributions management process.					
Cyber (3rd party risk) *A risk-based review to assess and provide assurance on the robustness and completeness of the design of the Council's supply chain risk management control framework. Additionally, the audit will review the project plan for implementing the supply chain cyber security framework.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
IT Application Review - NEC Revenues and Benefits *A risk-based review to provide assurance on the effectiveness and robustness of the council's systems and processes relating to the NEC Revenues and Benefits application.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Barham Park Financial Review *To independently review concerns raised in respect of the accuracy of the Barham Park Trust accounts for the year ended 31 March 2023 and to review the responses provided by officers in respect of the concerns raised to determine whether these provided accurate and sufficient information.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
IT Disaster Recovery *A risk-based review to provide assurance on the effectiveness and robustness of the Council's arrangements for managing business engagement and recovery prioritisation in the event of a major incident.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Accounts Receivable *A risk-based review to provide assurance on the robustness of the Council's controls in place in relation to accounts receivable, with a focus on invoice raising, debtors, reconciliations, and suspense accounts.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.

Audit / Indicative Scope (as per 2023-24 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
Accounts Payable *A risk-based review to provide assurance on the effectiveness and robustness of the Council's controls in relation to the accounts payable process.*	*In progress*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Financial Planning, Monitoring and Sustainability – DSG High Needs Block and School Balances *A risk-based review to provide assurance on the effectiveness and robustness of the Council's arrangements for financial monitoring and support in maintained schools and for the Dedicated Schools Grant (DSG) High Needs Block.*	*Review at planning stages.*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Planning Enforcement *A risk-based review to provide assurance on the operating effectiveness of key controls in place around planning enforcement to ensure that actions taken are appropriate and decisions are made in line with delegated officer responsibilities and guidance.*	*Review at planning stages.*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
STS (IT maturity ambition) *To review the implementation of actions from the report from the previous workshop relating to capacity and maturity of IT Service Management components. To assist STS with formulating an action plan for the next 6 to 12 months to address the recommendations raised within the previous report performed in 2022/23.*	*Review at planning stages*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Direct Payments *A risk-based review to provide assurance on the effectiveness and robustness of the control framework and Council's arrangements for the administration and payment of direct payments using PFS pre-paid cards.*	*Review at planning stages*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Procurement	*Review at planning stages*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.

Audit / Indicative Scope (as per 2023-24 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
A risk-based review to provide assurance about the effectiveness and robustness of the control framework that supports the delivery of effective and economic procurement that aligns with the Council's key objectives.					
First Wave Housing Ltd / i4B Holdings *Risk based review to provide assurance over the effectiveness and robustness of the controls relating to billing processes for compensation payments, council tax payments made for void properties and refurbishment costs.*	*Review at planning stages*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Section 106/CIL *A risk-based review of Section 106/CIL. The scope to consider the following areas: policies and procedures, roles and responsibilities, income management, reconciliation and fund allocation.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Climate Change and Sustainability *Programme assurance regarding the delivery of the Council's climate change strategies and action plan.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Performance Reporting *A risk-based review of Performance Reporting. Scope to include data integrity, monitoring and reporting.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Housing Revenue Account *A risk-based review of Housing Revenue Account. The scope to consider rent collection/ service charge collections and repayment plans.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Public Health Contract Management *Review to be undertaken in Public Health Contract Management – scope to be agreed/refined with management.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Starters and Leavers *A risk-based review of key HR controls surrounding starters and leavers. Scope to include pre-employment vetting and knowledge transfer.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.

Audit / Indicative Scope (as per 2023-24 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
Parking Services *A risk-based review of key controls in Parking Services. The exact scope areas to be agreed.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Project Management (Property) *A risk-based review of Project Management. The scope to consider project governance and reporting, benefits management, assurance and lessons learned and risk and issue management.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Recruitment and Retention *A risk-based review to focus on the effectiveness of mitigating actions and controls in place to address this area of strategic risk, including the use/cost of agency staff.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Discretionary Housing Payments *A risk-based review of Discretionary Housing Payments. The scope to consider policies and procedures, inspections, applications and approvals, reconciliations and monitoring.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Resident Support Fund *A risk-based review of the Resident Support Fund. The scope to consider income/funding management, fund allocation, need identification, monitoring and reporting.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
MTFS/Savings Delivery Capital Programme *Scope to include testing of additional control areas – to be determined in year.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
RLS Programme Closure and Report *Real Time audit work as programme closure proceeds.*	*Not yet commenced*	-	-	-	Outcomes to be reported to Committee in Quarter 4 2023-24.
Emergency Planning/Business Continuity	*Cancelled*				*External review is being performed in this area.*

Audit / Indicative Scope (as per 2023-24 Plan)	Status	Summary of issues			Comments
		High Risk	Medium Risk	Low Risk	
Increase in Dedicated Schools Grant High Needs Block Deficit.	*Cancelled*				*Audit now subsumed within Financial Support for Schools Review*

Appendix 2 - Summary of Audit Findings

Audit Title	Summary of Key Findings
Capital Programme The objective of this audit was to understand and evaluate the controls in place for the Council's approach and methodology to Capital Programme. This audit provides assurance over the controls within the following sub-processes: • Governance and reporting; • Risk and issue management; and • Budget management. This audit was limited to the three sub-processes listed above and considered programme-level controls. This review did not provide assurance over the Capital Programme as a whole.	One **Medium Risk** issue: **Documentation of risk and issue management process** There is no documented procedure that sets out the risk and issue management process in relation to Capital Programme. While there appears to be a consistent format for the reporting of risks and issues (i.e., via Status Reports) from each governance group, we noted that not all high rated risks were being captured within the Capital Executive Dashboard and reported to the Capital Programme Board. There was not a clearly documented methodology to outline which risks were to be escalated and reported. *Management response: Management to document a risk/issue management process to be circulated with those involved with the Capital Programme.* *The risk/issue management process to include when risks require escalation as not all high risks require escalating to the Capital Executive Dashboard.*
Key Financial Controls – Payroll The objective of this audit was to assess the design and operating effectiveness of the Council's key financial controls relating to payroll. This audit provides assurance over the below sub-processes and	Two **High Risk** and two **Medium Risk** issues were raised: **High** **Over-reliance on line-managers within the leavers process** The payroll team can only commence the leavers process once appropriate approval has been received from the leaver's line manager.

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Audit Title	Summary of Key Findings
focused on the key controls in place to mitigate the potential risks within the following scope areas: • Starters • Leavers • Standing Data • Payroll Processing • Reconciliations	*Management Response: Leaver's end to end process is one of the recommendations in the finance 23/24 digital savings programme. All Leaver process activity will consider the recommendations above and aim to reduce the risk identified.* **Overtime payments** The payroll team does not perform checks over overtime claims to ensure that appropriate approvals have been granted or that the claims are validated by supporting documentation before processing overtime payments. *Management Response: Payroll team to conclude a handful of spot checks per month – check line manager approval and supporting documentation.* **Medium** **Setting up new starters on the payroll system** For four out of 25 new starters, the information required to set up the new starter on the payroll system was sent by the onboarding and HR teams to the payroll officers after the employee's joining date, resulting in the delay of a salary payment for one of those four cases. *Management Response: The payroll team will request from the HR and recruitment teams the updated weekly info re new starters - future positions to be filled.* *Starter's end to end process is one of the recommendations in the finance 23/24 digital savings programme. All Starter process activity will consider the recommendations above and aim to reduce the risk identified.* **Lack of segregation of duties for processing of late leavers** For two out of 25 leavers tested, the processing of leavers was both actioned and reviewed by the same officer (the Payroll Team Leader). This could result in error in processing or fraudulent activity. *Management Response: Payroll Manager to train four other payroll staff members in this process – segregation Is not possible in Oracle Cloud.*

Audit Title	Summary of Key Findings
Financial Strategy/Savings Programme The objective of this audit was to review the key controls in place to provide assurance over processes and risks associated with the Medium-Term Financial Strategy (MTFS) and Savings Programme, with specific focus on the following sub-processes: • Clear Scope • Governance and Reporting • Delivery Enabling Plans This review considered programme-level controls (rather than the overarching MTFS and Savings Programme controls) and sampled three projects.	One **Medium Risk** issue was raised: **Medium Risk** **Post-saving evaluations -** Post-saving evaluations are not being carried out following the completion of each savings project. *Management Response: Guidance for new savings identification should share good practice and lessons learnt from previous savings rounds.*
Family Wellbeing Centres To ensure that management has assessed all relevant risks and implemented adequate and effective controls within Family Wellbeing Centres.	Three **Medium Risk** issues were raised: **Induction Manuals** The government produced a Family Hub and Start for Life Programme guide for local authorities in August 2022, which includes a Family Hub Model Framework. The guide has not yet been incorporated into any of the FWC Operational Board and Local Steering Group induction manuals.

Audit Title	Summary of Key Findings
The audit focused on key controls in place to mitigate the potential risks in the following areas: • Governance • Registration • Performance Management • Reporting	*Management Response: The FWC Operational Board and Local Steering Groups induction manuals will be reviewed to incorporate the Family Hub and Start for Life Programme guide that includes a Family Hub Model Framework.* **Partnership Agreements** FWC work with various partners to deliver services. There are contracts in place for their major partners, however, there are no formal agreements in place for the smaller partnership suppliers. Management Response: Management will establish a record of all FWC partners and ensure there is an appropriate agreement in place with each of them. The Brent Information Sharing Protocol will be reviewed and signed. **Performance Management** The Performance Management Framework has not been updated since the publication of the Family Hubs and Start for Life Programme Guide. The work to review and streamline the KPIs and the reporting scorecard should be completed, and an effective performance monitoring system introduced. *Management Response: The Performance Management Framework which was produced in July 2021 will be reviewed in line with the Family Hub Model Framework published in August 2022. Following the imbedding of the Government Family Hubs and Start for Life programme guide, the work to review and streamline KPIs and the scorecard will be completed, and an effective performance monitoring system introduced. Bi-annual user survey will be carried out with an appropriate action plan if required.*

Key Financial Controls - NEC Northgate Housing Benefits The objective of this review was to ensure that the data relating to housing benefit payments is complete, accurate, valid, and properly recorded in the underlying accounts. This review provides assurance over four sub-processes and focused on key controls in place to mitigate the potential risks within the following scope areas: • Governance and Reporting • Housing Benefit Payments • Subsidy Implications • Reconciliations	Two **high risk** and one **medium risk** issues were raised: **High:** **Absence of documented governance procedures (e.g. frequency and responsibilities) relating to reconciliation of modules within NEC** There was an absence of joint approach between the benefits team with the overpayments team and the finance team for undertaking reconciliations, due to absence of documented procedures and RACI (Responsible, Accountable, Consulted, and Informed) matrix around reconciliation of various modules within NEC. Furthermore, management informed us of a reporting discrepancy which related to housing benefits overpayments between the reports extracted from NEC by the Council's management and the same reports extracted by NEC. The most recent variance being c. £10m at the time of the audit. Management also confirmed that measures are being taken to address this issue. *Management Response: It has been recognised that there needs to be a more joint up approach and working together with finance and recovery team. It is therefore proposed that a full health check is conducted on the current reconciliation processes as well as lines of communication between all three services. All the agreed governance procedures will be documented for consistency in line with the recommendation. It is proposed moving forward to give a full breakdown of payment posting into HB and Discretionary Housing payments (DHP) by creating a Private tenancy (PTEN) reconciliation spreadsheet that will capture the HB and DHP payments posting respectively to the bank statements each week.* **Absence of documentation for periodic reconciliations between NEC, general ledger, and bank statements** Reconciliations between NEC, the GL and bank statements were not undertaken at regular and periodic intervals during the audit period (01-Apr-22 to 31-Mar-23). Instead, an annual reconciliation was performed. Management informed us that there is a c. £1-3m difference each year between the general ledger and the housing benefit system (NEC), and that that there was no documented timeline to resolve these differences. Also, there were no documented procedures for the reconciliation process between HB, Overpayments and Finance with general ledger and HRA. *Management Response: To identify reconciling differences between NEC systems, bank statements and general ledger, it is proposed that an end-to-end review is completed as part of the health check and the first meeting is set for 19 September 2023. All the agreed governance procedures will be documented for consistency in line with the recommendation.*

Audit Title	Summary of Key Findings
	The reconciliation between the bank statements to the general ledger sits with Finance. In terms of communication, the Benefit service produce a monthly briefing report for finance detailing the HB expenditure and subsidy position as well as giving updates on changes. **Medium** **Procedural documentation** The end-to-end housing benefit process has not been documented. For elements of the process that had existing procedural documentation, there was no evidence to demonstrate who approved them or that they had been recently reviewed. 1 out of 13 job descriptions (JDs) was not reviewed at the time of the last reorganisation of the benefits service. The process for reviewing the organisational chart and associated JDs was not clearly documented. Reporting and escalation protocols were not clearly documented. *Management Response: We do agree that the current folders with training material is clumsy, and navigation is difficult. To address that, the Benefit Service is looking to acquire a tool which is a one-step web-based knowledge management solution for Housing Benefits, Universal Credit, Council Tax Support and Discretionary Housing Payments. The tool would be the single point of access to regulations, guidance, and training notes for all staff. Membership of The Benefit Directory is available via an annual subscription fee. We will define and document the approval process for authorisation thresholds; review the JDs and structures as part of any reorganisation or restructure; and produce a document which outlines guidance on the various escalation and reporting routes available for staff.*
Licensing A risk-based review to provide assurance on the effectiveness and robustness of the Council's arrangements for issuing licenses and monitoring licensed establishments enabling the Council to comply with statutory obligations.	One **high risk** and **four medium risk** issues were raised: **High** **Inspections** Due to a lack of resources, the Regulatory Service Team do not carry out proactive inspections of businesses or visits of new license applications. They do, however, carry out reactive site visits based on received complaints. *Management Response: A shortage of staff resource means that the team does not have capacity to undertake proactive inspection work. Currently a Licensing Enforcement Officer post is seconded to other duties which further limits capacity and a second post is filled on a temporary basis by an agency employee. A long term*

Audit Title	Summary of Key Findings
This audit provided assurance over the following sub-processes and control objectives. • Governance • Licensing Administration • License Fees • Inspections/Breach of License Conditions • Management Information	*funding solution is needed to create a new post for the seconded position so that we can then seek to recruit two further, full time Licensing Enforcement Officers. This will provide an increase in capacity to enable some proactive, rather than reactive work streams.* **Medium** **Procedures** The Regulatory Service Team does not have comprehensive procedures in place to support staff in carrying out their role. *Management Response: None of the Regulatory teams have maintained written internal procedures since the council phased out its ISO9001 quality management accreditation which is consistent with other departmental teams. Drafting procedures, reviewing and updating them as well as ensuring they are being followed on a day to day basis, will require resources that we currently do not have and would take away from our priority frontline service delivery and ensuring statutory deadlines for applications and consultations etc are being met. We consider that applying the statutory processes to the teams work provides some procedures already and adding documented internal processes is not going to bring any significant benefit to the way the team operates.* **Licence Register** The publicly available license register contains several anomalies. These include a duplicate entry, reporting duplicates, data quality naming convention issues and missing addresses and names. *Management Response: "It is not clear what the issue is with some of the errors listed above (possibly because they have already been corrected) but we do accept there are some instances of data that has been duplicated. We intend to adopt a process of asking officers to check the register for existing entries when they are granting new licences and entering new data. If there is an existing entry, these should be removed before adding any new records which will help to reduce the number of duplicates. We have also identified that in some instances, the software is creating technical error by not closing down some records when the tick box is selected giving this instruction.* **Licence Fee Reconciliations and Aged Debt** Monthly outstanding license renewal reconciliations are not being consistently carried out. Also, the monthly reconciliations do not align with the Debt Recovery Teams' licence renewal fees aged debt report.

Audit Title	Summary of Key Findings
	Management Response: "Monthly reconciliations have and continue to take place. There were no audits shown as being undertaken during July -October 22 and January 23 because the spreadsheet that was examined, only related to Premise Licence Annual fees and there were no new invoices issued for this licence type during that period. According to the May 23 Accounts Receivable Lifecyle Report, the aged debt for the Licensing Team was £76,000 which included current unpaid invoices that were not yet due indicating a significantly better recovery rate compared to the audit findings. Ideally, a more proactive approach could be taken with the reconciliation process, but this would only be possible with an increased staffing capacity. We do already try to work with the council's Debt Recovery team but find they have only very limited capacity and accordingly, prioritise high value invoices. This means many of the licensing debts fall outside of their scope to chase up. **Performance Monitoring Reports** The current headline performance data is not comparative either in respect of workload or to previous time periods, such as the previous month/year. The data is presented in isolation for a specific period of time which makes it impossible to determine from the briefing note what progress or issues the Team have achieved or are suffering. *Management Response: We agree performance data should be improved and have aspirations for a much more comprehensive reporting system. However, staffing shortages, a lack of knowledge and the limitations of the reporting capability in the Tascomi system, mean that we currently are unable to deliver this. In the short term, simple performance data can be taken from other sources available to us, but we cannot offer a longer term solution to provide comprehensive data, at this time. We suggest a further review of the circulation of data when we are closer to being able to record and maintain meaningful data. The Tascomi system is currently part of a council wide, Digital Transformation project, due to be completed by Sep 2024 which we hope will assist with this.*
Tenancy Management Organisation – Kilburn To ensure that management has assessed all relevant risks and implemented adequate and effective controls within Kilburn Park Tenancy Management Organisation.	Four **high risk** **and** three **medium risk** issues were raised: **High** **Budgetary controls** The TMO does not have a budget for the current financial year and has not implemented adequate budgetary controls to review and monitor financial performance. *Management Response: Due to a change in management in 2022, the TMO did not have access to the co-op email account utilised by the suppliers and the accounting system, Sage. Therefore, we were unable to access invoices and/or procedure financial reports. However, this is continually being remedied by the existing*

Audit Title	Summary of Key Findings
This audit provides assurance over the following sub-processes and control objectives. • Governance • Budgetary Control • Purchasing and expenditure • Third-party contractors • Income, charging and banking • VAT • Payroll	*management. Management is working on a long-term plan, and this will be discussed at upcoming Board meetings. We have taken note of all the recommendations and will aim to implement them all within the next 12 months.* **Purchasing and expenditure** There are no written financial procedures covering the key financial activities at the TMO. Issues were identified surrounding purchasing and expenditure processes, including instances where POs were not raised, invoices are not stamped with date received, not approved prior to payment and not paid promptly. *Management Response: We agree that there are no written financial procedures covering the key financial activities at the TMO. We are going to consult our accounting firm to get help in formulating written financial procedures to cover financial activities. All invoices now have Purchase Orders (PO) in place, stamped with invoice received date and checked against original order and paid within 30 days of receipt. All expenditure incurred is recorded within the TMO's financial management system, SAGE. We have taken note with all the recommendations and will work hard to implement them all within the next 12 months.* **Payroll** Inconsistencies were identified in the management of starters and existing staff members. Adequate documents such as ID, qualifications and references have not been retained to aid an audit trail. DBS checks have not been undertaken for any of TMO's staff members. *Management Response: We will make sure all recruitment is undertaken in accordance with the Recruitment Policy. Staff responsible for recruitment are reminded to sign, date and retain all copies of proof of ID/ academic qualifications to indicate that the originals were submitted and verified. References of all staff members (new and existing) will be retained in personnel files. We will arrange DBS checks for staff and ensure that they have an up-to-date DBS in place.* **Contracts** There is no contract register in place. Additionally, there was no evidence that a tender exercise was undertaken to demonstrate best value as no supporting documentation of the procurement was retained.

Audit Title	Summary of Key Findings
	Management Response: There is just one contract which we agree did not follow the proper procurement process. We are reviewing the contract currently and looking for the most advantageous way for the TMO to get out of it. We will give further feedback on what the proposals are, once the review is complete. **Medium** **Governance** Gaps in governance related controls were identified, including outdated Instrument of Government, a lack of clarity surrounding the election of three Board members, failure to effectively follow-up actions arising, absence of a skills audit, outdated procedures and a lack of a register of policies. *Management Response: The Board has its Annual General Meeting at the end of September. The proposal is for a Governance Review to commence no later than the end of October 2023.* **Income** There is a lack of procedures for income management. The TMO does not raise invoices for the income received. Lack of adequate recording of income as the TMO did not have access to Sage. *Management Response: We are working on written procedures for income management. The TMO now raise invoices for the income received (i.e. renting out the hall) and this will be recorded into Sage.* **VAT** VAT on income or expenditure is not accurately accounted for or supported by valid documentation. *Management Response: The TMO has now solved the VAT issue. All returns have been submitted and we are up to date with VAT submission. All current income and expenditure are accurately accounted for, and the VAT is now recorded on Sage.*
Better Care Fund The objective of this audit was to assess the control design of the processes related to the planning of	One **high risk** and three **medium risk** issues were raised: **High** **Lack of management oversight**

Audit Title	Summary of Key Findings
the delivery of the Better Care Fund (BCF) and monitoring and reporting of performance and budgets by the integrated service teams. This review provided assurance over two sub-processes and focused on key controls in place to mitigate the potential risks within the following scope areas: • Forward Planning • Monitoring and Reporting of Budget and Performance	Management Information reports were not being produced within the integrated service. As a result, there is no senior officer oversight of the BCF including how it is being managed, progress and delivery of projects, and budget/ spend tracking. In addition, Separate cost codes were not being used for each of the 58 schemes that were utilising the 2022/23 budget of £44.5m. There was a lack of information on scheme-level variations (i.e., planned spend vs actual spend) and how variances were addressed. *Management Response: Management will:* *a) Produce quarterly MI reports containing updates of financial and non-financial performance of the BCF. These will be circulated for review by each team (as relevant) within the integrated service and then shared with senior leadership teams for review and comment via both the ICP Executive and CHW Budget Assurance Panel meetings.* *b) Set up a mechanism to track the actual spend against each scheme (e.g., by configuration of cost codes in the scheme management or accounting system).* *c) Define the roles and responsibilities of budget managers.* *d) Conduct the variance analysis for review at the periodic governance group meetings and investigate unusual or unknown discrepancies.* **Medium** **Lack of governance and meeting forums** There was no governance group or meeting forum to manage the BCF that contained representatives from all key teams (e.g., Finance, Research & Insights, etc.) involved in managing the programme. Existing meetings were not conducted at periodic intervals, and for those ad hoc meetings that took place, there was no documented agenda and minutes. *Management Response: Management will:* *a) Set up a formal governance group and meeting forum containing key representatives from each team within the integrated service.* *b) Produce a terms of reference (ToR) document for the governance group to capture the following: Chair and attendees; purpose, objective, mandate, and authority limits; frequency of meetings (every month or*

Audit Title	Summary of Key Findings
	quarter); escalation routes; standing agenda items; pre-read materials; and reporting requirements and frequency. *c) Document minutes of meetings and resulting action plans along with due date and follow-up trail and circulate to all representatives.* *d) Produce a central tracker to record periodic updates from each key stakeholder involved in managing the programme.* **Ownership of planning activities and schemes** A process flow or timeline for forward planning activities and preparation of an annual task plan did not exist. Roles and responsibilities in relation to completion of planning requirements were not documented. The BCF task plan for 2022/23 did not outline the due dates for each activity, nor did it specify the individuals assigned against each task. *Management Response: Management will:* *a) Document the end-to-end process for planning and ongoing management of the BCF.* *b) Document the roles and responsibilities of key persons involved within planning activities and ongoing management of the BCF.* *c) Assign tasks for planning requirements to individuals and document the due dates for each activity.* *d) Assign each scheme to an individual. This person will then be responsible for the ongoing management/ monitoring of the scheme.* **Recording and tracking the progress of delivery** There was no mechanism to record and track progress of delivery of the 58 schemes. Post-project evaluations were not being performed to assess whether objectives and benefits associated with each project have been achieved, or to identify any lessons learned. *Management Response: Management will:* *a) Nominate specific personnel to be responsible for overseeing the delivery of BCF funded schemes.* *b) Centrally record and track progress of delivery of schemes.* *c) Consider performing post-project evaluations to assess whether the intended outcomes of each scheme have been achieved and/ or whether any lessons learned can be identified and shared.*

Audit Title	Summary of Key Findings
Private Sector Property Licensing (HMO) To ensure that management has assessed all relevant risks and implemented adequate and effective controls within the Houses of Multiple Occupation (HMO) License process. This audit provides assurance over the following sub-processes and control objectives. • Governance • Applications • Verification • Enforcement and Monitoring • Fee Income • Complaints Handling • Management Information and Performance Monitoring	One medium was identified: **Application Verification** There was no clear guidance on which checks should be completed and what evidence is required to be retained following the verification process. *Management Response: Management will document each verification check required and ensure supporting evidence is retained. To ensure checks are being performed as required and evidence retained, Management will consider performing sample spot checks.*
No Recourse to Public Funds (NRPF) and Intentionally Homeless To ensure that management has assessed all relevant risks and	One medium was identified: ***NRPF Screening*** The method for recording the screening process for claimants of NRPF support is not being completed consistently.

Audit Title	Summary of Key Findings
implemented adequate and effective controls when providing support to families that have NRPF. This audit provides assurance over the following scope areas: • Governance • Screening Assessment Process • Continued Monitoring • Management Reporting and Monitoring	*Management Response: The Team will be asked to make sure that all information entered into Mosaic is correct and agrees to the family's bio-metric identification records. Checks will be made to ensure that information is not duplicated but amended on Mosaic where names have been spelt wrong or full names have not been entered on Mosaic.* *The current NRPF family information recording process guidance will be updated and made available to all officers to ensure that the information gathering process is applied consistently. The updated NRPF family information recording process guidance will include the requirement to reference information already gathered by other teams when completing subsequent entries in Mosaic for the same family.* *A note will be included in the updated NRPF family information recording process guidance to require staff to add a note to the Mosaic record when the family name that was captured during the initial NRPF screening is different to the surname of the NRPF support recipient.*

Appendix 3 - Summary of Follow-up Activity

*** Follow-up outcomes reported in the table below are as at the time of concluding our follow-up review. As a result and owing to the time that may have elapsed since, the status of implementation may have since changed. Internal Audit continue to review implementation of recommendations with Management, and in line with usual practice, will report any instances of persistent non-implementation of recommendations to the Committee.***

****** *The numbers in brackets are high risk actions that are partially or not implemented. All outstanding recommendations will continue to be monitored and reported via Departmental Management Teams.*

Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
Workforce and Succession Planning	*Completed*	1	6	0	0	A revised target date of 31 March 2024 was agreed for the outstanding actions.
Key Financial Controls	*Completed*	9	1	0	0	The *Partially Implemented* action has since been implemented and closed.
Council Companies and Governance	*Completed*	9	0	0	0	
Debt Management	*Completed*	4	1	0	0	The *Partially Implemented* action has since been implemented and closed.
Fostering	*Completed*	7	0	4	0	The *Not Implemented* actions have since been implemented and closed.
Contract Management	*Completed*	6	2 (2)	1	0	The two high risk actions that remain outstanding relate to the following:

Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
						• A lack of strategic/central oversight of contract management from a cross-council perspective. Confirmation of corporate oversight has been established but not fully developed. Details of oversight reporting of how contracts are being centrally monitored is due to be published in Q3. • Testing showed that not all contracts had an assigned Contract Manager or, that financial monitoring was being completed in several cases. A revised target date of 30 September 2023 was agreed for the outstanding actions (awaiting update from Management).
Purchasing Cards	*In Progress*					
Building Controls Finance	*In Progress*					
Voids	*In Progress*					
Demand for Services	*In Progress*					

Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
Large Event Day Management	*In Progress*					
Equality Strategy	*Scheduled for Q3*					
Website	*Scheduled for Q3*					
Grant Management	*Scheduled for Q3*					
MTFS and Delivery of Savings	*Scheduled for Q3*					
Capital Programme	*Scheduled for Q3*					
Property Valuations	*Scheduled for Q4*					
Digital Strategy	*Scheduled for Q4*					
KFC Payroll	*Scheduled for Q4*					

Follow-up	Status	Follow-up Outcomes				Comments
		Implemented	Partially Implemented	Not Implemented	No longer relevant	
Family Wellbeing Centres	*Scheduled for Q4*					
Better Care Fund	*Scheduled for Q4*					
Private Sector Property Licensing (HMO)	*Scheduled for Q4*					
Licensing	*Scheduled for Q4*					
NEG2 Overpayment May 2023	*Scheduled for Q4*					
NRPF and Intentionally Homeless	*Scheduled for Q4*					
NEC Northgate Housing Benefit	*Scheduled for Q4*					

Brent	**Audit and Standards Advisory Committee** 6th December 2023
	Report from the Corporate Director of Finance and Resources
	Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform

INTERIM COUNTER FRAUD REPORT 2023-24

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Darren Armstrong, Head of Audit and Investigations Darren.Armstrong@Brent.gov.uk; 020 8937 1751

1.0 Executive Summary

1.1. This report summarises the counter fraud activity undertaken in 2023/24, up to 30th September 2023.

2.0 Recommendation

2.1 The Committee is asked to note the contents of the report.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 As is the same for all local authorities, fraud remains an area of significant inherent risk to the Council. The tackling of fraud therefore remains a high priority as every penny that is lost to fraud is a penny that cannot be spent on delivering services to our residents.

3.1.2 The Council takes a well-developed approach to tackling fraud and corruption, which includes a combination of proactive prevention and detection activities in-line with best practice. An annual Counter Fraud Plan is also prepared and delivered to ensure that resources are effectively targeted and deployed to prevent and detect fraud, which is underpinned by the Council's Anti-Fraud and Bribery and Whistleblowing Policies.

3.1.3 The response of the Council to the activity of the Counter Fraud Team should lead to the strengthening of governance arrangements and the control environment, and therefore, contribute to the achievement of strategic objectives.

3.2 Background

3.2.1 The Counter Fraud Plan for 2023-24 was agreed by the Audit and Standards Advisory Committee in March 2023, and details how the resources of the Counter Fraud team will be deployed and targeted to achieve the aims and objectives of the Council's anti-fraud policies.

3.2.2 The work of the Counter Fraud Team is split between reactive and proactive activity. Reactive work largely consists of referrals to the team from the Internal, Housing or External fraud types. Proactive activity is generated from within the service in response to a range of fraud risks and can incorporate any of the reactive fraud types.

3.2.3 The plan also includes a Fraud Awareness Plan, which details the activities to be undertaken by the team to raise awareness of fraud risks amongst officers, residents and Members to help ensure that the Council's assets are adequately protected.

3.3 Internal Fraud

3.3.1 Internal fraud includes whistleblowing referrals and a range of case types such as staff conduct, financial and procedural irregularities. Proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the '*Proactive*' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. The table below sets out key figures in this area for 2023/24.

Table A – Internal Fraud

Internal Fraud	**2023/24 to 30th September**	**2022/23 (full year)**	**2021/22 (full year)**
Open Cases b/f	16	18	21
New Referrals	12	20	24
Closed Cases	5	22	27
Open Cases c/f	23	16	18
Fraud / Irregularity identified*****	2	4	6

***** *Where closed cases do not identify fraud / irregularity, these are generally recorded as NFA (No Further Action). Fraud and/or irregularity identified is noted from closed cases.*

3.3.2 12 new referrals have been opened during this year from a variety of sources, including whistleblowing. A summary of the main allegations received is as follows:

- Bribery and Corruption (3),
- Theft Cash/Assets (3),
- External offences/conduct by staff (1),
- Misuse of IT (1)
- Conflict of Interest (1), and
- Recruitment irregularities (3).

3.3.3 The volume and type of referrals is consistent with recent years, and the trend suggests the service profile and engagement across the Council continues to be effective. Due to the confidential nature of these type of referrals, it is not appropriate to provide further details of the allegations in this report. There are currently 20 opened cases in this category that are at various stages.

3.3.4 There were also five cases concluded during the same period. In two of these instances a degree of fraud and/or irregularity was identified, broadly relating to conflicts of interest, and external fraud offences by staff. Due to the nature of these cases, the Counter Fraud team will regularly liaise with management, as appropriate, throughout the investigation to ensure that any issues in relation to controls or processes are addressed.

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

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

3.4 Tenancy and Social Housing Fraud

3.4.1 The recovery of social housing properties by the Counter Fraud team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk for the Council.

3.4.2 The team has previously utilised and reported an average notional saving value of £93,000 per property recovered, which is consistent with the formulae used by the Cabinet Office. From 2023-24, the team has adopted a lower notional figure of £42,000 to reflect the notional savings generated from tenancy recoveries. This follows extensive national research concluded in 2021/22 and undertaken by the Tenancy Fraud Forum (TFF) in partnership with the London

Boroughs' Fraud Investigators' Group (LBFIG), and supported by the Cabinet Office's National Fraud Initiative, Northern Ireland Housing Executive, Fraud Advisory Panel, CIPFA, CIFAS, the Chartered Institute of Housing and G15 group of housing associations.

3.4.3 The counter-fraud activity for 2023/24 is summarised in the table below.

Table B – Tenancy and Social Housing Fraud

Housing Fraud	2023/24 to 30th September	2022/23 (full year)	2021/22 (full year)
Open cases b/f	113	94	82
New cases	96	174	204
Closed cases	118	155	192
Open cases c/f	91	113	94
Fraud Identified	7	20	27

** Notional value of recovered properties (including Housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £42,000. (£93,000 used previously and for concluded cases where a tenancy was recovered before 1st April 2023.)*

3.4.4 The total number of fraudulent housing cases concluded in this period was seven.

3.4.5 In one case, an investigation commenced following a housing needs review in respect of a homeless application. Enquiries found that the applicant had failed declare ownership of a property and residence with their undeclared partner at another property, and the application to be housed as homeless was successfully rejected.

3.4.6 In another case, a referral was received from a Housing Officer who had suspected fraudulent Discretionary Succession application. Enquiries revealed the applicant was linked to the tenancy address; however, the applicant was also the owner of two other properties and had prior links to these addresses. This resulted in the discretionary succession being declined and recovery of the property.

3.4.7 In addition, the team has completed three tenancy verifications where fraud was not identified but helps to mitigate fraudulent Succession and Right to Buy applications.

3.4.8 The number of housing frauds detected this year is slightly lower when compared to an average of 19 tenancy recoveries over the previous three years (20, 27 and 11). Referrals from Brent Housing Management (BHM) have improved compared over the last two years. Both teams continue to work together to increase the quality and quantity of referrals, and undue delays with property recoveries where there is evidence of tenancy fraud. Of the 96 referrals opened this year, 20 were from BHM teams, which represents 22.9% of the new investigations opened and is consistent with the previous year (22.4%). In comparison, of the seven successful fraudulent cases concluded this year, four were from direct engagement with BHM and the remaining cases from internal proactive work and other housing related teams. This emphasises the importance of receiving good quality referrals from housing staff through their normal engagement with Council tenants.

3.4.9 There are currently 69 live housing investigations – of these; 17 cases are involved with legal proceedings to recover the property, and a further seven cases have been concluded by the team with a report issued to BHM and other Registered Social Landlords that recommends recovery action is instigated. The team works closely with the relevant teams to progress these cases.

3.4.10 The team has provided relevant BHM staff with appropriate access to anti-fraud systems to aid verification of Succession and Right to Buy applications. It continues to assist management in a variety of ways with its ongoing tenancy audit and anti-fraud strategies, which has included fraud risk training and support for staff and tenancy data matching.

3.5 External Fraud

3.5.1 ‘External fraud’ includes all external fraud / irregularity that affects the Council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity for 2023/24 is summarised in the table below:

Table C – External Fraud

External Fraud	**2023/24 to 30th September**	**2022/23 (full year)**	**2021/22 (full year)**
Open cases b/f	187	160	96
New Referrals	162	224	288
Closed Cases	175	197	224
Open cases c/f	174	187	160
Fraud / Irregularity identified*	99	94	67

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

3.5.2 There have been 162 new cases opened in this period, compared to 127 during the same period last year. Blue Badge allegations make up 73% of new referrals. Other referrals mainly relate to benefits, support, allowances and grants.

Blue Badges

3.5.3 There have been 95 successful outcomes in this period (where fraud was detected), which is an increase compared to the previous year figure of 23 during the same period. This includes 23 successful prosecutions (previously 8) and 56 cautions/warnings (previously 11) issued for Blue Badge fraud. In addition to these outcomes, the cases where appropriate are filed to the **Cifas National Fraud Database**, which helps to further prevent and detect fraud.

3.5.4 In one case, a child's Blue Badge that had been reported as lost/stolen, had been fraudulently used on a vehicle and falsely claimed a Parking Enforcement Officer sold him the badge. The defendant attended court and pleaded guilty. The court found that the defendant knew what he was doing and had deprived an 8-year old child of their badge. The judgement made against defendant was as follows; Fine £576.00, Victim Surcharge £230.00, Costs £1,800.00 – total £2,606.00.

3.5.5 Criminal proceedings and cautions have been instigated (at various stages) with a further 17 live cases. The increase in prosecutions does place a resource challenge for the team to balance its overall capacity across all counter fraud activity. In most cases involving Blue Badge fraud, there are additional time-bar considerations that have to be prioritised to successfully prosecute a case. The team has worked closely with Parking Enforcement to efficiently obtain best evidence and reduce investigation time where possible. This fraud type is clearly prevalent within the borough and ultimately affects genuine users of the Blue Badge scheme.

3.5.6 There are currently 64 live cases, which includes; 55 Blue Badge / Parking Permit, four Council Tax / Benefit, and two Business Rates / Business Covid-19 Grant related cases. Other case types include; payments from Adults and Children services, theft of client funds, and grants/allowances.

3.5.7 In Q1, the team took part in a coordinated London-wide Blue Badge enforcement operation involving multiple local authorities. The team coordinated the operation which included Police and Parking Enforcement teams. A total of 19 badges were checked in Willesden Green, which resulted in one Penalty Charge Notice (PCN) and a Blue Badge seized for unlawful use.

3.5.8 The team also took part in a Brent only enforcement operation involving multiple teams and assisted by the Police. The operation focussed on Hassop Road NW2 and resulted in 23 Blue Badges inspected, seven PCNs issued including three Blue Badge identified as being reported stolen.

3.5.9 The theft and supply of stolen Blue Badges appears to be a widespread and increasing problem across all London boroughs. Almost all Blue Badge prosecutions this year relate to badges that were issued by other local authorities. It is not possible to comment with any degree of certainty on the illegal Blue Badge market, as stolen badges are essentially worth whatever someone is willing to pay for them. However, the continued collaboration and joint-working between internal and external partners, means that the Council maintains a zero-tolerance approach to all types of Blue Badge fraud within the borough.

3.5.10 This collaboration is currently developing strategies to specifically prevent the physical thefts of badges from vehicles across the borough limiting this impact on borough residents and Police. It should be noted that whilst the strategies being developed should have a positive impact, we do not expect the level of Blue Badge fraud to immediately decrease because the vast majority of stolen/lost badges identified are issued by other authorities.

3.6 Proactive activity

3.6.1 The team undertakes a broad range of proactive activity based on fraud risk and close working with the Internal Audit team. This will include NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews across all service areas. The counter fraud activity for 2023/24 is summarised in the table below:

Table D – Proactive Cases

Proactive Cases	2023/24 to 30th September	2022/23 (full year)	2021/22 (full year)*
Open cases b/f	6	49	35
New Proactive Reviews	121	4	110
Closed Cases	11	47	96
Open cases c/f	116	6	49
Fraud / Irregularity / Savings identified	2	8	7
Advice / Recommendations	1	1	2
Audit / Risk review	8	46	96

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

3.6.2 The mandatory data submissions for the new **National Fraud Initiative 2022** exercise is underway and new data matches were made available from Q4 (2022/23). The team have started to review these matching reports in Q2 and aim to complete reviews by end of Q4.

3.6.3 11 proactive cases were concluded this year, which included eight NFI data matching reviews and two Blue Badge related proactive exercises.

3.6.4 One NFI review that has just been completed relates to **Council Tax Single Persons Discount (SPD)**. The team has worked with the Revenues Service and a third-party solution to undertake a full review all SPD records. NFI matches were cross matched to the overall SPD caseload. The review resulted in the removal of 2,416 (6.3%) of SPD cases from the full borough SPD caseload. This equates to an annual saving for the council of £1,129,121.38. This savings figure is expected to increase when Council Tax Reduction (CTR) is removed or reduced if a household's circumstances are found to have changed since CTR was awarded. An initial estimate is that of the total savings figure of £1,129,121.38, approximately 66% (c. £745,000) can be assigned to the cases on the NFI reports. Final figures are expected to be available for the next report.

3.6.5 The Council also joined the NFI **London FraudHub** in 2022/23, which will be for an initial period of two years. It is modelled on the existing NFI platform and so far the majority of London councils have joined. The hub allows for more real-time and cross boundary data matching, in addition to bespoke internal data matching. Hub members agreed to start with mortality screening against its Occupational Pension data, seeing immediate results in most cases, Brent Pensions screening has identified actual savings of £23,037 (with an estimated value of £2,341,714 based on the NFI methodology guidance if the irregularity was not identified). Another notable outcome is 269 live Blue Badges were identified against deceased records and cancelled, which has a savings value of £175,500 (based on the same NFI methodology).

3.6.6 As FraudHub members, the council receives unlimited and free access to another application called **AppCheck**, which is also part of the NFI platform. It is primarily a screening tool and the team envisage it being a verification tool for various service teams across the council. The team is currently testing the system with two Housing Needs teams, to pilot use and monitor effectiveness. Further information on the FraudHub and AppCheck can be found here and the published Cabinet Office fees can be found here.

3.6.7 The week commencing 13th November 2023 marked the start of *Fraud Awareness Week,* which is an international campaign that seeks to promote the importance of anti-fraud awareness and education. During this week the team delivered a number of activities, including fraud awareness sessions, an information point in the foyer of the Civic Centre, a confidential advice and referral clinic, plus various communications including all-staff message, Yammer posts with case studies and flyers to highlight the period. Fraud awareness sessions with specific groups such as School Business Managers and Council DMTs also took place where requested.

3.6.8 The service has proposed that the Council obtain full membership access to an **Enhanced Internal Fraud Database** (EIFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). An update was sent to CMT in August 2022, and the membership agreement has been reviewed and approved by the Corporate Director Governance.

- The EIFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls.
- The system will enable the Council to have additional assurance around agency and permanent recruitment and provide the team with additional resource when conducting internal investigations.
- Both main unions have been engaged and received a formal briefing note on the proposal in August 2022. Both are satisfied with no objections.
- The team and Cifas have worked with HR and Recruitment / Comensura to ensure the new system and vetting protocols went live on **1st November**.
- The team will manage the new vetting protocols for agency staff, whilst Recruitment will manage it as part of existing permanent recruitment onboarding.

4.0 Stakeholder and ward member consultation and engagement

4.1 None

5.0 Financial Considerations

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

6.0 Legal Considerations

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

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 None

8.0 Climate Change and Environmental Considerations

8.1 None

9.0 Communication Considerations

10.1 None

<u>Report sign off:</u>

Minesh Patel
Corporate Director of Finance and Resources

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The Audit Findings Report for Brent Pension Fund

Year ended 31 March 2023

23 October 2023

Contents

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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.

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

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.

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.

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.

Our anticipated opinion on the financial statements will be unmodified

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

1. Headlines

National context – audit backlog

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

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

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

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

Local context - triennial valuation

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

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

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

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

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

2. Financial Statements

Overview of the scope of our audit

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

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

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

Audit approach

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

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

Conclusion

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

Acknowledgements

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

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

2. Financial Statements

Our approach to materiality

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

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

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

2. Financial Statements: Significant risks

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

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

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

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 investments

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

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

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

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

We have:

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

Our work on level 3 investments is complete.

We identified from our purchases and sales testing that the sales figures for several Level 3 investments have been understated per our review of the fund manager reports. The net variance between the sales figures per fund manager confirmation and the figures disclosed in the accounts is £6m. The reason for this is that some of the sales figure have been recorded as gains in the accounts. There is an understatement of investment sales of £6m and an overstatement of gains of £6m. The variance of £6m is made up of investments held in Capital Dynamics and Alinda funds, with the biggest variance of £4.4M relating to Alinda III investment.

We have recoded this as an unadjusted error at appendix B.

Our work has not identified any other issues apart from the above which we need to bring to the attention of the Audit and Standards Committee.

2. Financial Statements: Significant risks

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

2. Financial Statements: Other risks

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

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2. Financial Statements: new issues and risks

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

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

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2. Financial Statements: key judgements and estimates

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

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

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Assessment

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

2. Financial Statements: key judgements and estimates

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

Page 125

Assessment

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

2. Financial Statements: Information Technology

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

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

Assessment

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

2. Financial Statements: Information Technology

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

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

Assessment

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

2. Financial Statements: other communication requirements

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

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

2. Financial Statements: other communication requirements

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

2. Financial Statements: other communication requirements

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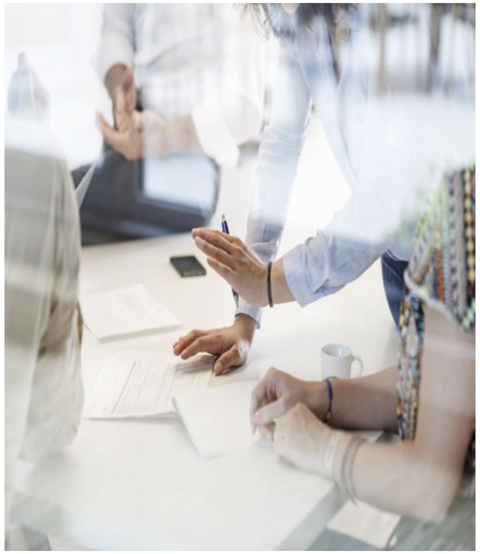
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

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



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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

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings Report

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

B. Action Plan – Audit of Financial Statements

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

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

Controls

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

B. Action Plan – Audit of Financial Statements

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

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Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Seeded roles with SoD conflicts** IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security - FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV - FND_APP_MANAGE_PROFILE_OPTION_PRIV - FND_APP_MANAGE_PROFILE_CATEGORY_PRIV - FND_APP_MANAGE_TAXONOMY_PRIV - FND_APP_MANAGE_DATABASE_RESOURCE_PRIV **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.	It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour **Management response** We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role
Medium	During our related party testing, we identified that , related party returns were not sent to senior officers for them to make a disclosure of related party disclosure The risk with this is that if we returns are not sent , there may be instances where related party transactions may not be disclosed.	We recommend that a related party disclosure form should be sent to all senior officers every year, and this should be captured to ensure that there are no undisclosed related party transactions. **Management response** **Related Party Transaction forms are completed by all Chief Officers of the Council, the appropriateness of extending this to other officers will be reviewed for the 2023/24 accounts.**

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Controls

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

B. Action Plan – Audit of Financial Statements

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

Controls

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

B. Action Plan – Audit of Financial Statements

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

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Controls

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

C. Follow up of prior year recommendations

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

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

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Misclassification and disclosure changes

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

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

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

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

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

Impact of prior year unadjusted misstatements

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

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

E. Fees and non-audit services

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

Audit fees	Proposed fee	Final Fee
Scale fee	£22,420	£22,420
Investment Valuation	£6,351	£6,351
Additional audit procedures arising from a lower materiality	£6,575	£6,575
Increased audit requirements of revised ISA 540	£3,500	£3,500
Journals	£2,000	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500	£500
ISA 315	£3,000	£3,000
New System Implementation work	£6,500	£6,500
Hot Review	£2,500	£2,500
Work on triennial valuation member data	£5,000	£5,000
Delays resulting from investment work including purchases and sales testing	£2,000	£2,000
Total audit fees (excluding VAT)	**£60,346**	**£60,346**

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

E. Fees and non-audit services

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

The proposed fees reconcile to the financial statements as shown below

fees per financial statements	£37,771
• New System Implementation work	£6,500
• Additional procedures from lower materiality	£6575
• Hot Review	£2,500
• Work on triennial valuation member data	£5,000
• Delays in investment work including purchases and sales work	£2,000
• total fees per above	£60,346

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

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

The Audit Findings for London Borough of Brent

Year ended 31 March 2023

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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.

Key Audit Partner
Firm:

[Insert Key Audit Partner Signature]

Name: Ciaran Mclaughlin
For Grant Thornton UK LLP
Date:

1. Headlines

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

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.

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

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

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	As stated on slide 3, our VFM work is ongoing, and we hope to have the work completed by the time we issue our audit opinion. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness from the work which have done to date. Our detailed commentary will be set out in the separate Auditor's Annual Report, which will be presented to the Audit and Standards Committee following the completion of our VFM work.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	During our testing of debtors, the Council struggled to provide us with a report to support the housing benefit overpayment debtor balance reported in the accounts. The Council obtained a report as at 26 June 2023 and made some adjustments to obtain the balance at 31 March 2023. Our testing of housing benefit identified an error and as a result we carried out additional procedures to get assurance over the balance reported at the year end. It is worth pointing out that the Council does not have the ability to obtain the information itself and relies upon obtaining a response from a third-party provider (Northgate) to get the information in the housing benefit debtor report. We identified during our journal testing that the Council posted council tax direct debits from April to October all in November. This resulted in the journal listing not being exported correctly from the Council to us and we had to get our digital audit team to assist with exporting the data in the correct format. This delayed our journal testing and we had to carry out additional procedures to get assurance over the journals posted in November 2022. We have raised control points for both matters in the action plan at Appendix B. Our work on finance and operating leases also took longer to complete than budgeted due to the errors which we identified. The findings have been detailed in Appendix C. Similarly, the Council struggled to provide us with a change in circumstance listing as part of our payroll related work. This also resulted in us taking longer time than initially planned to complete this work. We have shown the additional fees resulting from the above delays at Appendix E

1. Headlines

National context – audit backlog

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

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

National context – level of borrowing

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

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

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

1. Headlines

National context – level of borrowing - continued

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

Local Context – Audit Liaison

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

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

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

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

Acknowledgements

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

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

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

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

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

2. Financial Statements

Our approach to materiality

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

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

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

2. Financial Statements: Significant risks

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

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

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

2. Financial Statements: Significant risks

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

Valuation of land and buildings
The council re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size and numbers involved (£1,097.8m) as at 31st March 2023 and the sensitivity of the estimate to key changes in assumptions.
Additionally, management needs to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work.
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	    • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the Valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	
	From our testing, we noted that Other Land and Building assets were valued as at 01 April 2022 and management applied indexation to estimate the values as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year. Our auditor's expert, Gerald Eve carried a review of the reasonableness of the indexation review work undertaken by WHE to enable their 1 April 2022 valuations to be adjusted to the financial reporting date of 31 March 2023. We tested the assumptions used by the valuer in their valuation and found them to be reasonable.
	Our audit work on Valuation of land and building is completed. We have nothing to bring to the attention of the Audit and Standards Committee.
		Council

2. Financial Statements: Significant risks

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

Valuation of Council Dwellings
 	
The Council owns 8220 dwellings as 31 March 2023, and it is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar types.
 	
The Council performed a full revaluation of its properties in the prior year. For 2022/23, the Council engaged the Valuer (Wilks, Head and Eve) to perform a market review from 01 April 2022 to 31 March 2023. The Council used the indexes in the market review report to carry out indexation on the full council dwelling properties from 01 April 2022 to 31 March 2023. The valuation of the properties after indexation for 22/23 is £827.8m. This represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions.
 	
We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate;
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	    • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	
	There was no formal revaluation of the HRA assets in the year. 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.
	
	Management used an index of 5% which we have corroborated with the Indexation certificate from WHE. We have further challenged the valuer on their choice of indexation and determined it to be reasonably and appropriately applied. Our auditor expert Gerald Eve also concluded that the index of 5% is reasonable. We also reviewed all additions in the year and confirmed that they have been allocated to the appropriate beacon.
	Our audit work on Valuation of Council Dwellings is complete. We have nothing bring to the attention of the Audit and Standards Committee.
		Council

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2. Financial Statements: Significant risks

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

2. Financial Statements: Significant risks

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

2. Financial Statements: Key Findings Arising from Group Audit

Group Structure and Risk	Commentary
The Council has prepared group financial statements that consolidated the financial information of: • London Borough of Brent • First Waves Limited • I4B Holdings Limited • LGA Digital Services Limited • Barham Park Trust	We have • Obtained, documented and enhanced our understanding of the group, its components, and their environments • Obtained and documented an understanding of the consolidation process, including group-wide controls. • audited the consolidated accounts by agreeing the financial information of each of the subsidiaries and the parent entity in the consolidation schedules to the individual entity financial statements or supporting entity records and testing the mathematical accuracy of the consolidating schedule. • checked that material consolidation adjustments in the consolidation schedule are appropriate. • performed analytical procedures at the group level to check if there are any unusual or unexpected relationships indicating a previously unrecognized risk of material misstatement of the group financial statements.
The London Borough of Brent of Brent is the parent entity . None of the subsidiaries is either material or significant to the group. In line' with firm's guidance, we have carried out analytical procedures using the group materiality of £16,610,000.	We noted in the group accounts, that the short-term investment adjustment for £26.7m was not disclosed in the notes to the account. The overall group balance sheet was correct. This has been updated in the final set of accounts. We have recorded this as an adjusted disclosure error at appendix D.
The only significant risk which is relevant to the group is Management Override of Controls. All other significant risks identified relate to only the London Borough of Brent which is the parent entity as shown on slide 8-13	All the accounts which have been consolidated agreed to the individual entity accounts and material adjustments in the consolidated were appropriate to be made. Our analytical review did not identify any unusual or unexpected variances.
The component auditors are Grant Thornton. We have not relied on the work of the component auditor as none of the subsidiaries are significant or material.	Our group audit work is complete. We have nothing to bring to the attention of the Audit and Standards Committee apart from the adjusted disclosure error noted above.

2. Financial Statements: Other risks

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

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

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

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

2. Financial Statements: new issues and risks

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

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

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2. Financial Statements: key judgements and estimates

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

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

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Assessment

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

2. Financial Statements: key judgements and estimates

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation – Council Houses- £827.8m	The Council owns 8,220 dwellings as at 31 March 2023 and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council conducted full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. Para 4.1.2.38 of CIPFA Code of Practice on Local Accounting 22-23 states that 'a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within intervals of no more than five years. The current value of land and buildings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers.' The Council has performed a full indexation of council dwelling properties from 01 April 2022 to 31 March 2023. The Council engaged Wilks Head & Eve to certify the indexation process used to value these properties as at 31 March 2023. The year end valuation of Council Housing was £827.8m, a net increase of £43.8m from 2021/22 (£784m). . The Code does not permit the use of indices as a means to adjust the carrying amount of asset, however the use of a professionally qualified valuer to certify the indexation within a short period (less than 5 years) is acceptable.	We have: • assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. • checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • checked the reasonableness of the net in the valuation of council dwellings. • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Council Dwellings is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	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
Valuation of Private Finance Initiative Assets - £94.7m	The Council has entered into three PFI projects which have generated assets to be used by the Council. These are; • A 25 year project to provide, operate and maintain a sports centre and related facilities in Wilsden with the legal title transferring to the Council at the end of the contract. • A 20 year contract for the provision and maintenance of social housing, and replacement residential facilities for people with learning disabilities. The legal title transfers to the council at the end of the contract. The council also controls the residual value of 158 units of housing stock within this contract as it has guaranteed nomination rights. • Provision and maintenance of social housing within Stonebridge. The inclusion of the block or flats within this contract was determined by a tenant's vote at the start of the contract. In 22/23, the Council has performed an indexation to estimate the value of the PFI assets using a market review report from the valuer (WHE). The Council has engaged the valuer to certify the indexation process as at 31 March 2023. The year end valuation of the Council's PFI assets recognised on the balance sheet was £94.7m, a net increase of £10m from 21/22 (£84.7m)	We have; • Assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • Checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • Checked the reasonableness of the net in the valuation of council dwellings. • Checked the adequacy of disclosure of estimate in the financial statements Our work in relation to Valuation of PFI assets is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	Light Purple

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

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

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

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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. We reviewed the remaining grants to ensure that there no other grants which have been misclassified. This has been recorded as an adjusted error under misclassification and disclosure misstatements at Appendix D Our work on grants is substantially complete subject to review. At this stage, we have nothing to bring to the attention of the Audit and Standards Committee apart from the above issue.	Light Purple

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Assessment

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2. Financial Statements: key judgements and estimates

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

Assessment

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- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

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

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Assessment

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

2. Financial Statements: key judgements and estimates

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

Assessment

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

2. Financial Statements: Information Technology

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

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

Assessment

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

2. Financial Statements: Information Technology

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

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

Assessment

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

2. Financial Statements: matters discussed with management

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

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

2. Financial Statements: other communication requirements

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

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

2. Financial Statements: other communication requirements

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

2. Financial Statements: other communication requirements

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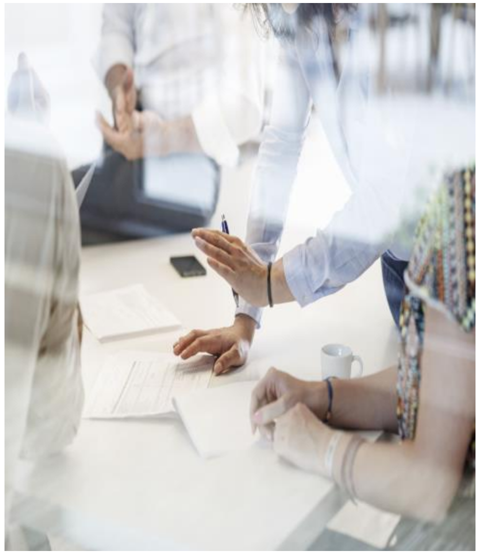
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect .
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.



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2. Financial Statements: other responsibilities under the Code

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

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

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

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

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix E.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

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

4. Independence and ethics

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

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

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

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified 12 recommendations for the London Borough of Brent as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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

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Financial Statement issue /Controls

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

B. Action Plan - Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High Page 193	**Excessive access assigned to HR and Payroll users.** IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role The Council informed our IT team that the role is required to enable system configuration to be undertaken as part of this team, such as for pay awards and performance enrolments. The Brent HCM Application Administrator role provides these individuals with significant levels of access, enabling them to alter system behaviour and create workers in Oracle Cloud **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters	It is recommended that the Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required. **Management response** The Brent HCM Application Administrator role has now been removed from the Payroll, Learning and Development, and Training teams and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

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

Financial Statement issue /Controls

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

B. Action Plan - Audit of Financial Statements

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

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Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

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

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Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

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

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

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Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	From our testing of operating leases, we identified that some leases have been misclassified as operating leases when they should have been finance leases. We also identified some leases which have been duplicated in both the operating lease and finance lease listings. The risk is that if the listing for operating and finance lease are not updated, then, the incorrect information will feed into the accounts which can lead to errors in the lease note. Based on the audit work we have performed this year management had to adjust the both the operating and finance lease notes for the errors which we identified where the council is acting as a lessor.	We recommend that the leasing team regularly reviews both the operating and finance lease list and check whether the leases have been correctly classified as an operating or finance lease. The leasing team should also liaise with the finance team in the to prevent these duplications and errors from happening in the future. **Management response** The Council will review this and look to create a unique identifier for each lease so that duplicates can be readily identified.

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

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Financial Statement issue /Controls

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

C. Follow up of prior year recommendations

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

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

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

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

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

D. Audit Adjustments - continued

Misclassification and disclosure changes

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

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

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D. Audit Adjustments - continued

Misclassification and disclosure changes

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

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

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D. Audit Adjustments - continued

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
In the group accounts, we have noted that the short-term investment adjustment for £26.7m was not disclosed in the notes. This has been updated by the client. The overall group balance was correct.	**The notes to the group account should be updated** Management response The council will update the group accounts	✓
From our testing of operating leases, it was found that there were some leases which were misclassified as operating when they should have been finance leases and some which were duplicated in both the operating lease and finance lease listings. This had an impact on both the finance lease and operating lease note where the council is acting as a lessor. For the operating lease, The value in the accounts for the 'gross investment in the lease changed from '£72.6m' to '£57.5m'. For the finance lease note, the gross investment in the lease changed from '£81.4m' to '£71.1m' with a small change ~£200k to the value of the lease debtor which was not changed in the balance sheet as it was a trivial amount.	**The lease note needs to updated to reflect the errors identified** Management response **The Council will update the lease notes.**	✓

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D. Audit Adjustments

Impact of unadjusted misstatements

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

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

D. Audit Adjustments

Impact of unadjusted misstatements

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

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

D. Audit Adjustments

Impact of prior year unadjusted misstatements

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

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

D. Audit Adjustments

Impact of prior year unadjusted misstatements - continued

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

D. Audit Adjustments

Impact of prior year unadjusted misstatements - continued

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

E. Fees and non-audit services

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

Audit fees	Proposed fees	Final Fees
Scale Fee	£173,434	£173,434
Audit of Group Accounts (not included in the Scale Fee)	£5,260	£5,260
Additional audit procedures arising from a lower materiality	£6,575	£6,575
Enhanced audit procedures for Property, Plant and Equipment	£7,048	£7,048
Additional work on Value for Money (VfM) under new NAO Code	£20,000	£20,000
Increased audit requirements of revised ISA 540	£6,000	£6,000
Journals	£3,000	£3,000
FRC response - additional review, EQCR or hot review	£1,500	£1,500
Enhanced audit procedures for Infrastructure	£2,500	£2,500
Enhanced audit procedures for Payroll – Change of circumstances	£500	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750	£750
ISA 315	£5,000	£5,000
Use of Expert for PPE (Expert fees charged)	£7,135	£7,135
Other – errors in Creditors Accrual testing and additional work carried out to get assurance	1,500	1,500
Other – errors in HB debtors testing and additional carried out to get assurance	2,500	2,500
Other – Delays with upload of November GL and additional work carried out	1,500	1,500
Delays in work on operating and finance leases	1,500	1,500

E. Fees and non-audit services - continued

Audit fees	Proposed fees	Final Fees
Delays in change of circumstances testing	£,1000	£1000
Council Audit	£246,702	£246,702

E. Fees and non-audit services

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

Audit fees	Proposed fee
I4B Holdings Ltd Audit	£40,000
First Wave Housing Ltd Audit	£37,000
Brent Pension Fund Audit	£60,346
Objection to the accounts	TBC
Total audit fees (excluding VAT)	**£TBC**

E. Fees and non-audit services

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

The fees reconcile to the financial statements.

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

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

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Topic / Date	06-Jun-23	18-Jul-23	26-Sep-23	12-Oct-23	06-Dec-23	06-Feb-24
Internal Audit & Investigations						
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						
External Audit						
External Audit progress report		X	X		X	X
Statement of Accounts & Pension Fund Accounts		X	X	X		
Annual Auditor's Report			X			X
Financial Reporting						
Treasury Management Mid-term Report					X	
Treasury Management Strategy					X	
Statement of Accounts & Pension Fund Accounts		X	X*	X*		
Treasury Management Outturn Report		X				
Governance						
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*					
Risk Management						
Strategic Risk Register Update			X			
Emergency Preparedness						X
Audit Committee Effectiveness						
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)						
Standards Matters						
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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