



Audit and Standards Committee

Tuesday 26 September 2023 on the rising of the Audit & Standards Advisory Committee.

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

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

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

Membership:

Members

Councillors:

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

Substitute Members

Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah

Councillors:
Kansagra and Mistry

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

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

Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

****Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
 - To which you are appointed by the council;
 - which exercises functions of a public nature;
 - which is directed is to charitable purposes;
 - whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
- (b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

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

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

Agenda

Introductions, if appropriate.

Item	Page
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 - 2
To approve the minutes of the previous meeting held on Tuesday 6 June 2023 as a correct record.	
5 Brent Council Statement of Accounts 2022/23	3 - 126
To note the final auditors' findings and approve the Council's final Statement of Accounts 2022/23.	

Date of the next meeting: Thursday 12 October 2023.



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

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MINUTES OF THE AUDIT AND STANDARDS COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Tuesday 6 June 2023 on
the rising of the Audit & Standards Advisory Committee

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

Also Present: Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform), David Ewart (Independent Chair of the Audit & Standards Advisory Committee), Julie Byrom (Independent Person, Audit & Standards Advisory Committee – online) & Vineeta Manchanda (Independent Advisor Audit & Standards Advisory Committee).

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

None

2. **Declarations of Interest**

There were no declarations of interest made at the meeting.

3. **Deputations (If any)**

None.

4. **Minutes of the previous meeting**

RESOLVED to approve the minutes of the last meeting of the Committee held on Tuesday 21 March 2023.

5. **Annual Governance Statement 2022-23**

The Committee received the report from the Corporate Director of Governance that provided the draft Annual Governance Statement (AGS) for 2022/23 as required by the Accounts and Audit Regulations 2015.


Members noted that the AGS had been referred on to the Committee for formal approval following its detailed consideration at the preceding meeting of the Audit & Standards Advisory Committee. In considering the AGS the Audit & Standards Advisory Committee had identified the following amendments to be made –

- (1) Section 4.4.5 to be amended to reflect that the Audit & Standards Advisory Committee had met on 6 rather than 5 times during 2021/22.
- (2) Section 4.4.9 to be amended to reflect those strategic risks had been presented to the Audit & Standards Advisory Committee twice rather than quarterly during 2021/22.

On the basis of the discussion and the acceptance of the comments made in relation to amending Section 4.4.5 and Section 4.4.9 at the preceding Audit & Standards Advisory Committee it was RESOLVED to approve the 2022/23 Annual Governance Statement for formal sign off.

The meeting closed at 7.21pm

COUNCILLOR JUMBO CHAN
Chair

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

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

1.0 Executive Summary

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

2.0 Recommendations

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

3.0 Detail

Contribution to Borough Plan Priorities and Strategic Context

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

Statement of Accounts

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

Objections

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

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

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

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

4.0 Stakeholder and ward member consultation and engagement

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

5.0 Financial Considerations

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

6.0 Legal Considerations

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

7.0 Equality, Diversity & Inclusion (EDI) Considerations

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

8.0 Climate Change and Environmental Considerations

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

9.0 Human Resources/Property Considerations (if appropriate)

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

10.0 Communication Considerations

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

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources

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The Audit Findings for London Borough of Brent

Year ended 31 March 2023



Contents



Your key Grant Thornton team members are:

Ciaran McLaughlin

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Key Audit Partner

Firm:

Section

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2. [Financial statements](#)
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4. [Independence and ethics](#)

Appendices

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

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

[Insert Key Audit Partner Signature]

Name: Ciaran McLaughlin

For Grant Thornton UK LLP

Date:

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

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

Financial Statements

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

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

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

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

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

Receipt of outstanding evidence for

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

Responses to queries for the following:

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

Completion of the following areas

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

Receipt of the following

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

Subsequent event confirmation; and

Review of the final set of financial statements

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

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

1. Headlines

Value for Money (VFM) arrangements

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

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

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

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

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Statutory duties

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

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

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

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

Significant matters

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

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

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

1. Headlines

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 Council's new investments made for service purposes were limited to the investment made in the Council's wholly owned subsidiary i4B Holdings Ltd who used the funds to acquire properties which form the security on the loan. The Council adopted a security prudential indicator as part of the Treasury Management Strategy to provide a minimum credit quality for any investments made to limit the risk of exposure to default. In line with IFRS 9 the Council makes an assessment for expected credit losses for any investments made and no significant movements in credit risk were identified.

Local Context – Audit Liaison

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

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

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

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

Acknowledgements

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

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

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

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

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

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

2. Financial Statements



Our approach to materiality

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

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

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



2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 <p>During our work on journals we have noted the following points:</p> <p>The Council posted approximately 25,000 journals during the year. A total of 37 employees can raise a journal, and 22 employees can approval a journal. The number of people who can process journals increases with Oracle (system support) users who can post journals when support is needed. Both the number and value of journals processed remains high and there are a large number of individuals capable of processing journals. This introduces inherent risk of both fraud and error with large numbers being involved and inevitably introduces a level of inefficiency in the Council's operation of its finance system.</p> <p>We observed the download of the GL for each month and the size of the November GL was considerably larger than the other months. This caused issues such as having non balanced journals, and delays with the extraction of the journals to the extent that our Digital Team had to assist with. The reason for high number of journals was caused by the Council tax direct debit journals for April up to October were all created in November. We recommend that the Council creates these entries as close to the month they relate to as possible prevent this issue in following years.</p> <p>We have raised control points for the above issues on the action plan at Appendix B.</p>	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>We rebutted the presumed risk of fraud in revenue, and such there is no specific work planned for this risk. There are no changes to our assessment reported in the audit plan.</p> <p>In order to get assurance over revenue, we have ;</p> <ul style="list-style-type: none"> • 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. <p>Our work on revenues is substantially complete subject to management review. Our work to date has not identified any issues other than a misclassification of a grant of £6.1m as a ring-fenced grant instead of a non-ring-fenced grant. We have recorded this error under the adjusted misclassification/ disclosure error schedule at Appendix D.</p>	Council
<p>Valuation of land and buildings</p> <p>The council re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size and numbers involved (£1,097.8m) as at 31st March 2023 and the sensitivity of the estimate to key changes in assumptions.</p> <p>Additionally, management needs to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter</p>	<p>We have:</p> <ul style="list-style-type: none"> • 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; <ul style="list-style-type: none"> • 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. <p>We noted that the assets were valued as at 01 April 2022 and management applied indexation to estimate the values as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.</p> <p>Our audit work on Valuation of land and building is still in progress. Our work to date has not identified any matters which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.</p>	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p data-bbox="100 735 134 874" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 19</p> <p data-bbox="114 384 427 406">Valuation of Council Dwellings</p> <p data-bbox="114 459 551 659">The Council owns 8220 dwellings as 31 March 2023, and it is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar types.</p> <p data-bbox="114 711 551 1091">The Council performed a full revaluation of its properties in the prior year. For 2022/23, the Council engaged the Valuer (Wilks, Head and Eve) to perform a market review from 01 April 2022 to 31 March 2023. The Council used the indexes in the market review report to carry out indexation on the full council dwelling properties from 01 April 2022 to 31 March 2023. The valuation of the properties after indexation for 22/23 is £827.8m. This represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions.</p> <p data-bbox="114 1110 551 1203">We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.</p>	<p data-bbox="589 384 678 406">We have:</p> <ul data-bbox="589 424 1832 783" style="list-style-type: none"> <li data-bbox="589 424 1458 446">• evaluated management's processes and assumptions for the calculation of the estimate; <li data-bbox="589 459 1361 481">• evaluated the competence, capabilities and objectivity of the valuation expert. <li data-bbox="589 494 1783 517">• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out <li data-bbox="589 529 1630 627">• engaged our own expert, Gerald Eve, to provide commentary on; <ul data-bbox="696 568 1514 627" style="list-style-type: none"> <li data-bbox="696 568 1514 590">• The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and <li data-bbox="696 603 1630 627">• The valuation methodology and approach, resulting assumptions and any other relevant points. <li data-bbox="589 639 1727 687">• challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; <li data-bbox="589 700 1675 722">• tested revaluations made during the year to see if they have been input correctly to the Council's asset register. <li data-bbox="589 735 1783 783">• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end. <p data-bbox="589 802 1832 876">We noted that management applied indexation to the full Council Dwellings for the period 01 April 2022 to 31 March 2023 to estimate the value of the properties as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.</p> <p data-bbox="589 888 1832 959">Our audit work on Valuation of Council Dwellings is still in progress. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.</p>	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£262m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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. <p>We have noted an error where the "other experience of" amount £53.2m was not disclosed in the draft accounts, however, the total net pension fund liability was disclosed correctly. We have recorded this error under the adjusted misclassification/disclosure error schedule at Appendix D.</p> <p>Our work is substantially complete subject to receiving the IAS 19 assurance letter from the pension fund auditor. We will update the Audit and Standards Committee following the completion of our work.</p>	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Fraud in expenditure recognition (Completeness of Non-Pay expenditure)</p>	<p>We have :</p> <ul style="list-style-type: none"> • 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. <p>Our audit work has not identified any issues in respect of the completeness of non-pay expenditure.</p>	Council
<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period.</p> <p>There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>		

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note</p> <p>Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2023, the net book value of infrastructure assets was £253m which is a significant multiple of materiality.</p> <p>In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:</p> <p>The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.</p> <p>The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.</p> <p>These two risks have not been assessed as significant risks but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 <p>Our work on infrastructure assets is ongoing. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards committee. We will update the Audit and Standards Committee following the completion of our work.</p>	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	Auditor view
<p>Cyber Security</p> <p>The London Borough of Brent is part of the Shared Technology Services (STS) which is a shared IT service for the councils of Brent, Lewisham and Southwark. The Council is the host borough for the service.</p> <p>We note that STS have a cyber security strategy in place covering cyber risk from 2021 to 2024.</p>	<p>1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'.</p> <p>High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.</p>	<p>We recommend that the Council as a host continues to proactively look at its cyber preparedness and puts in place appropriate policies/safeguards.</p> <p>Management response</p> <p>Noted</p>
<p>Debt levels</p> <p>We note the Council external borrowing increased by £92.5m to £781.0m in 22/23 compared with £688.5m in 2021/22. The extra borrowing is required to fund the Council's growing Capital Programme not already funded through grants, contributions and reserves.</p>	<p>The Council's borrowing includes PWLB (Public Works Loan Board) loans, LOBO, fixed rate loans, and short-term loans with other councils. Most of the Council's long-term borrowing (£529.8 out of £781m) is with PWLB and most of its short-term borrowing (£70m) are with other local authorities.</p> <p>The base rate rises seen throughout the year to curb inflation have resulted in a rise in new long-term and short-term borrowing costs which the Council has partially offset with an increase in short term investment income.</p> <p>The Council's borrowing portfolio has a high proportion of long-term debt which helps mitigate against the current rise in interest rates.</p>	<p>Auditor view</p> <p>We recommend that the Council proactively considers its debt levels and undertakes stress testing to consider the implications of continued high interest rates.</p> <p>Management response</p> <p>The Council sets limits as part of the Treasury Management Strategy to manage interest rate and refinancing risk which aim to limit this exposure to borrowing. The Council undertakes due diligence on counterparties within the credit quality limits agreed in the Treasury Management Strategy prior to undertaking any treasury management activities. During 2022/23 the Council made investments with highly liquid and diversified money market funds and deposits with Central Government who have the highest credit quality. The Council's new investments made for service purposes were limited to the investment made in the Council's wholly owned subsidiary i4B Holdings Ltd who used the funds to acquire properties which form the security on the loan.</p>

2. Financial Statements: new issues and risks

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

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

2. Financial Statements: key judgements and estimates

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

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

Assessment

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

2. Financial Statements: key judgements and estimates

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

Assessment

- [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	<p>The Council has entered into three PFI projects which have generated assets to be used by the Council. These are;</p> <ul style="list-style-type: none"> 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. <p>In 22/23, the Council has performed an indexation to estimate the value of the PFI assets using a market review report from the valuer (WHE). The Council has engaged the valuer to certify the indexation process as at 31 March 2023.</p> <p>The year end valuation of the Council's PFI assets recognised on the balance sheet was £94.7m, a net increase of £10m from 21/22 (£84.7m)</p>	<p>We have;</p> <ul style="list-style-type: none"> 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 <p>Our work with regards to this key estimate is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee.</p>	TBC

Assessment

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

2. Financial Statements: key judgements and estimates

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

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability (continued)		<ul style="list-style-type: none"> • 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. <p>We have completed our work on Net Pension Liability. We have nothing to report to the Audit and Standards Committee.</p>	

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Grants Income Recognition and Presentation- £743m

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

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

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

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

Work performed during our audit covered the following:

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

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

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

Light Purple

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £743m - Continued	<p>The Council recognised the following grants as agency transactions:</p> <ul style="list-style-type: none"> • 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 <p>The Authority has received a grant that have yet to be recognized as income as they have conditions attached to them that will require the monies to be returned to the giver. The balance at the year-end was £1.4m (£9.6m in 21/22)</p>		Light purple
PFI provision - £15.8m	<p>In 22/23 , there was an in-year difference on the Brent Co-Efficient PFI between the rent collected and the government PFI grant received, versus the unitary payments and base revenue costs. The difference amounted to £3.5m, which was released from the provision set aside for this purpose (a reduction in the provision). Additionally, there was an indication that a provision required for the end of 28/29 contract life needs to be increased by £2m and an additional drawdown of 0.2m to cover overspend on the general fund.</p> <p>This resulted in a net reduction of £1.7m in the PFI provision from 21/22 (£17.6m)</p>	<ul style="list-style-type: none"> • 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. <p>Our work is substantially complete subject to review.</p>	Light purple

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £22.7m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £22.7m, a net increase of £10.4m from 2021/22. There is a retrospective charge of £7.0m in this year.</p>	<p>Whilst we are satisfied that the Council has approved its MRP through appropriate governance structure, the Council will need to ensure that the MRP continues to be adequate in the context of the increased borrowing.</p> <p>We have carried out the following work:</p> <ul style="list-style-type: none"> 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. <p>The MRP percentage is 1.99% without the addition of retrospective charge. This is an increase on last year's percentage of 1.81%. This is now in line with the standard rate of 2%. We have noted that in the draft account the retrospective charge is stated as £7.5m instead of 7m. This has been recorded under misclassification and disclosure misstatements at Appendix D and it will be amended.</p> <p>Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation</p>	Light Purple

Assessment

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

2. Financial Statements: Information Technology

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

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

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Assessment

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

2. Financial Statements: matters discussed with management

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

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

2. Financial Statements: other communication requirements

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

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

2. Financial Statements: other communication requirements



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

2. Financial Statements: other communication requirements



Our responsibility

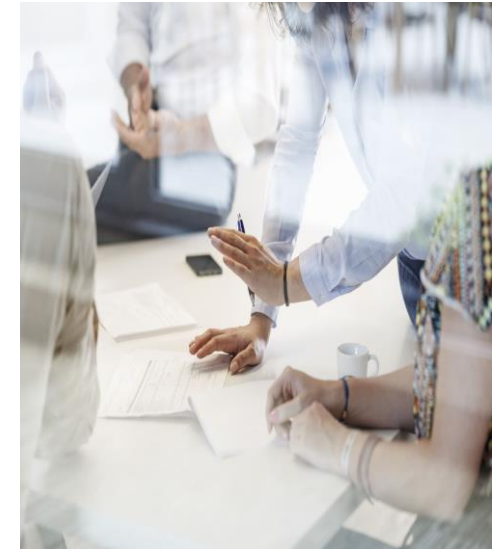
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> 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. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> 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	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work on other information is ongoing. We will update the committee once we have completed our work.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • 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. <p>We have nothing to report on these matters.</p>



2. Financial Statements: other responsibilities under the Code

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

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

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Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM: our procedures and conclusions

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

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

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			
Page 43 Certification of Housing capital receipts grant	10,000	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review because GT provides audit services	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers' Pension Return	7,500	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review because GT provides audit services	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	27,000 plus day rate for additional work required.	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,000 in comparison to the total fee for the audit of ££231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

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

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

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

Appendices

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

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
High Page 47 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 1 st April 2024 and 26 th 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.
	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

Financial Statement issue /Controls

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

B. Action Plan - Audit of Financial Statements

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

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Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

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

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Financial Statement issue /Controls

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

B. Action Plan - Audit of Financial Statements

Assessment	Issue and risk	Recommendations
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 50</p> <p>Medium</p>	<p>Seeded roles with SoD conflicts</p> <p>IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security</p> <ul style="list-style-type: none"> - 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 <p>Risk</p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p>	<p>It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour.</p> <p>Management response</p> <p>We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role.</p> <p>Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role.</p>

Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

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

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Financial Statement issue /Controls

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

B. Action Plan - IT Audit Findings

Assessment	Issue and risk	Recommendations
<p>Low</p> <p>Page 52</p>	<p>Lack of audit logging for configurations in Oracle Cloud</p> <p>IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table</p> <p>Risk</p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database</p>	<p>It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to</p> <ul style="list-style-type: none"> • Accounts Payable • Cash Management • Accounts Receivable and • General Ledger <p>It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS</p> <p>Management response</p> <p>Audit logging has been reviewed across all financially critical areas and has been found to be sufficient</p>

Financial Statement issue /Controls

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

C. Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<p>IT Audit Control Findings</p> <p>From IT Audit's work, we have recommended that the Council:</p> <ul style="list-style-type: none"> - 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. 	<p>Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:</p> <ul style="list-style-type: none"> - 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. <p>Manage access rights:</p> <ul style="list-style-type: none"> - 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. <p>Password requirements:</p> <ul style="list-style-type: none"> - Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication. <p>Manage Program changes:</p> <ul style="list-style-type: none"> - 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 ✓	<p>Income Population Listing</p> <p>We have recommended that the Council provide the audit team with cleansed data for their income population listing where the total is not materially different to the amount disclosed in the accounts.</p>	<p>The figure provided for income population testing was reconciled and was not materially different to the figure published in the accounts. A more rigorous cleansing process was undertaken this year resulting in a significant number of contras removed.</p>
3 ✓	<p>Review of Opening and Closing Balance</p> <p>We have recommended that the Council reviews the opening and closing balances in the Collection Fund model to ensure the correct opening balance is brought forward.</p>	<p>The NNDR debtor balance was reviewed, and an adjustment was made to correct the balance in the 2022/23 accounts for the £1m error. The NNDR balance at 31st March 2023 in the trial balance is in agreement with the NNDR3 form, which was populated from the system reports extracted from Academy. Furthermore, since 2021/22, the Council have been using a new Collection Fund model, created by LG Futures, which has a number of built in checks that highlight discrepancies, thereby minimising the risk of incorrect balances being used in the model.</p>
4 ✓	<p>PPE Valuations – Indexation</p> <p>We recommend that management engage their valuers to perform valuation as at the year-end. Where management applies indexation to arrive at the year-end value of assets, management should engage a valuer to review the application of indexation. Management should then obtain a formal certificate from the valuers which confirms that the indexation has been performed in accordance with the requirement under RICS and the CIPFA Code of Practice.</p>	<p>The Council have confirmation from our Valuer that they are satisfied with our application of their indexation rates, we will shortly be receiving formal certificate for this.</p>
5 ✓	<p>Capital Maintenance Communication</p> <p>We recommend that management share the capital maintenance programmed with the valuer based on the assumptions they make in regards to maintenance and determination of asset lives</p>	<p>The Council has provided our Capital maintenance plan to the Valuer for consideration in our revaluation</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

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

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

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
10 ✓	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.

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Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

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

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

D. Audit Adjustments

Impact of unadjusted misstatements

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

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

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Insurance Policy Expenditure cut off error					The Council did not adjust it as it was not material .
The Council has incorrectly recognised the full invoice amount of £1.6m of invoices for Zurich insurance which relate partially to both 21/22 and 22/23 as an expenditure in 21/22. This results in a factual overstatement of expenditure by £804k					
Dr Liabilities		804			
Cr Expenditure	(804)		(804)	804	
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
<p>Shows the correction of errors resulting from differences in the land value used in calculation, use of incorrect obsolescence rate and difference in the value of undeveloped land calculation for 3 individual asset. The errors resulted in an understatement of £309k factual error after indexation. The extrapolated error is £1.2m understatement.</p> <p>Dr PPE - Cost Cr Revaluation Reserve</p>		1200			The Council did not adjust it as it was not material .
		(1200)			
<p>The use of 100 years in the Council's calculation of MRP for supported borrowing is not allowed by the statutory guidance. This has caused an understated MRP.</p> <p>Dr General Fund Cr CAA</p>		1,485			The Council did not adjust it as it was not material .
		(1,485)			
Overall impact	(804)	804			

E. Fees and non-audit services

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

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

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	37,771
Objection to the accounts	TBC
Total audit fees (excluding VAT)	£TBC

E. Fees and non-audit services

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

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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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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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[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

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

Dear Grant Thornton UK LLP

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

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

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

Financial Statements

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

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

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

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

Information Provided

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

Annual Governance Statement

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

Narrative Report

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

Approval

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

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of London Borough of Brent (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise Balance Sheet, the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement, Collection Fund Account, Group Balance Sheet, Group Consolidated Income and Expenditure Statement, Group Cash Flow Statement, Group Movement in Reserves and notes to the financial statements, including a summary of significant accounting and notes to the financial statements. The notes to the financial statements include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance and Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We

assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the Authority and the Corporate Director Finance and Resources

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

In preparing the financial statements, the Corporate Director Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Our audit procedures involved:

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

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

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

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

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

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

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

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

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

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

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

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

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

Responsibilities of the Authority

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

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

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

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

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

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

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

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Ciaran McLaughlin, Key Audit Partner

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

London

Date:

The Audit Findings Report for Brent Pension Fund

Year ended 31 March 2023

September Month 2023

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Your key Grant Thornton team members are:

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

[Insert Key Audit Partner Signature]

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

Page

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

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1. Headlines

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

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Financial Statements

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

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

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

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

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

Our anticipated opinion on the financial statements will be unmodified

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

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

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

1. Headlines

National context – audit backlog

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

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

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

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

Local context - triennial valuation

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

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

2. Financial Statements

Overview of the scope of our audit

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

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

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

Audit approach

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

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

Conclusion

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

Acknowledgements

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

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

2. Financial Statements



Our approach to materiality

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

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

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Pension Fund Amount (£) Qualitative factors considered

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



2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 <p>From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person.</p> <p>The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. We have recorded this as a control point on the action plan at appendix B.</p> <p>Our work on journals is complete. Apart from the point raised above, our work has not identified any issues in respect of management override of controls.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 investments

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

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

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

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

We have:

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

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

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

The implementation of the Pensions Administration System

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

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

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

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

Commentary

We have

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

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

2. Financial Statements: Other risks

Risks identified

Local Government Pension Scheme triennial valuation

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

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

Commentary

We have:

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

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

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

2. Financial Statements: new issues and risks

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

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

2. Financial Statements: key judgements and estimates

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

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

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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	<p>The Pension Fund has Level 2 pooled investments and pooled property investments which in total are valued on the net assets statement as at 31 March 2023 at £972.9m.</p> <p>Management has not flagged any estimation uncertainty in relation to Level 2 investments.</p> <p>The investments are not traded on an open exchange/market and the valuation of the investment is subjective.</p> <p>The Pension Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.</p> <p>The value of the investment has decreased by £29.4m in 2022/23.</p>	<p>From the procedures undertaken, we have</p> <ul style="list-style-type: none"> 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. <p>Our work in relation to this key estimate – Valuation of Level 2 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	TBC

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Assessment

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

2. Financial Statements: Information Technology

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

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

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Assessment

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

2. Financial Statements: Information Technology

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

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

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Assessment

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

2. Financial Statements: other communication requirements

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

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Issue	Commentary
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: <ul style="list-style-type: none"> • 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



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Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to fund managers. This permission was granted, and the requests were sent. We have received all requests other than confirmation from Alinda for level 3 investments and confirmation from Natwest for level 1 investments.</p> <p>We requested management to send letters to those solicitors who worked with the Pension Fund during the year. As at 19 September a reply has only been received from all other than the following solicitors;</p> <ul style="list-style-type: none"> • Bevan Brittan • Ashfords • Judge Priestley <p>We have requested management to follow up the outstanding responses.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements</p>

2. Financial Statements: other communication requirements



Our responsibility

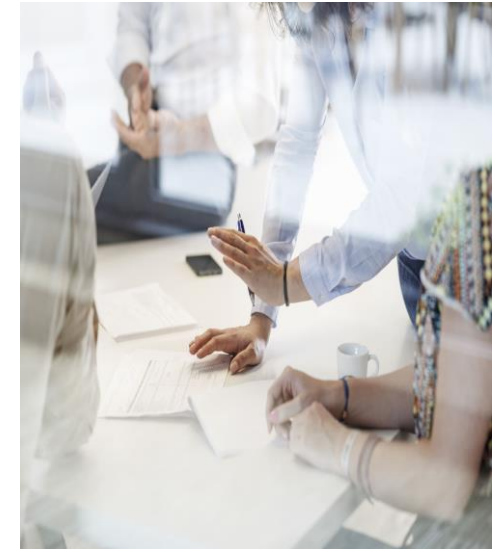
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> 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	<p>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.</p> <p>This work is outstanding.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>We have not received the annual report from the pension fund yet, however the pension fund intends to provide us with the annual report before we issue our opinion.</p> <p>We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report if the Pension fund provides us with the annual report before we issue our audit opinion.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters</p>



3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix E.

Transparency

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

3. Independence and ethics

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

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

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

Appendices

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

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings Report

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

B. Action Plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
High Page 102	<p>From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension.</p> <p>Risk</p> <p>Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to.</p>	<p>Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners .</p> <p>Management response</p> <p>The pension fund regularly reviews it's data and will consider what steps it can take to address this finding.</p>

Controls

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

B. Action Plan – Audit of Financial Statements

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

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Controls

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

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

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Controls

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

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

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Controls

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

B. Action Plan – Audit of Financial Statements

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

Controls

- High – Significant effect on financial statements
 - Medium – Limited Effect on financial statements
 - Low – Best practice
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C. Follow up of prior year recommendations

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

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> • 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. 	<p>Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:</p> <ul style="list-style-type: none"> - 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.
	<p>The Pension Fund confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements.</p>	
	<p>Risk</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters</p>	
	<p>It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p>	
	<p>Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p>	

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p data-bbox="315 339 757 368">Lack of audit logging in Oracle Cloud.</p> <p data-bbox="315 379 1442 408">Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p data-bbox="315 437 376 466">Risk</p> <p data-bbox="315 477 1559 563">Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p> <p data-bbox="315 603 1541 659">It is recommended that the Council implement audit logging for financially critical areas including, but not limited to:</p> <ul data-bbox="421 687 882 834" style="list-style-type: none"> • Accounts Payable (including Suppliers); • Cash Management; • Accounts Receivable; and • General Ledger. <p data-bbox="315 847 1541 903">The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations.</p>	<p data-bbox="1565 379 2089 491">- Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication.</p>
✓	<p data-bbox="315 970 723 999">Monitoring of scheduled processes.</p> <p data-bbox="315 1027 1559 1083">Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</p> <p data-bbox="315 1112 376 1141">Risk</p> <p data-bbox="315 1152 1559 1238">Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud.</p> <p data-bbox="315 1273 1509 1359">It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.</p>	<p data-bbox="1565 970 2007 1026">Change requests are logged via Hornbill following the governance model in place.</p> <p data-bbox="1565 1038 2096 1150">- Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD.</p> <p data-bbox="1565 1163 2085 1278">- Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Project documents maintained in an unsecured format.</p> <p>Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams.</p> <p>Risk</p> <p>There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned.</p> <p>For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation:</p> <ul style="list-style-type: none"> • 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. 	<p>Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team</p> <ul style="list-style-type: none"> - 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

D. Audit Adjustments

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

Misclassification and disclosure changes

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

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

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

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

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

Impact of prior year unadjusted misstatements

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

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

E. Fees and non-audit services

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

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

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

E. Fees and non-audit services

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

The proposed fees reconcile to the financial statements as shown below

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

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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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[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

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

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

Dear Sirs

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

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

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

Financial Statements

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

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

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

Information Provided

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

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

Approval

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

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Fund

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

Opinion on financial statements

We have audited the financial statements of Brent Pension Fund (the 'Pension Fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance and Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Corporate Director Finance and Resources

As explained more fully in the Statement of Responsibilities [set out on page XXX], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director Finance and Resources. The Corporate Director Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they

give a true and fair view, and for such internal control as the Corporate Director Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Corporate Director Finance and Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Our audit procedures involved:

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

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

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

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

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

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

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

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Ciaran McLaughlin, Key Audit Partner

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

London

Date:

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