The Audit Findings for London Borough of Brent

Year ended 31 March 2022

London Borough of Brent

February 2023

Contents

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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 have been discussed with management and the Audit and Standards Committee.

Name : Ciaran McLaughlin

For Grant Thornton UK LLP

Date : 13 September 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Brent ('the Council') and the preparation of the [group and] Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

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

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

Our audit work was completed remotely and onsite during June to September. Our findings are summarised on pages 5 to 22. We have identified 8 adjustments to the financial statements that have resulted in a £3.1m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work, which are set out in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

The following work remain outstanding :

- Closedown of hot review points on draft financial statements.
- Audit of Consolidated accounts
- Receipt of management representation letter ; and
- Review of the final set of financial statements.
- Subsequent events confirmation.

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

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	VFM work is scheduled to be undertaken this year in September and October. We have not identified any significant weaknesses at this stage We have recently completed our VFM work and so are in a position to issue our Auditor's Annual Report, however we were not able to do so by 30 November 2022. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. The Annual Auditors Report is also being presented to the 7 February 2023 Audit and Standards Advisory Committee. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements . 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 significant weaknesses from our work.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Audi tor's report in November 2022 and WGA work.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit 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 internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that analytical reviews were required for each component; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 7 February 2023. The outstanding items, that is those over and above the national issues around accounting for infrastructure assets, are detailed on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our audit plan presented to the Audit and Standards Committee , during the course of the audit both your finance team and our audit team faced audit challenges again this year, such as physical verification of assets, verifying the completeness and accuracy of information, obtaining transaction listings as a result from the new system implementation. This resulted in us having to do additional work as noted on page 48 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements

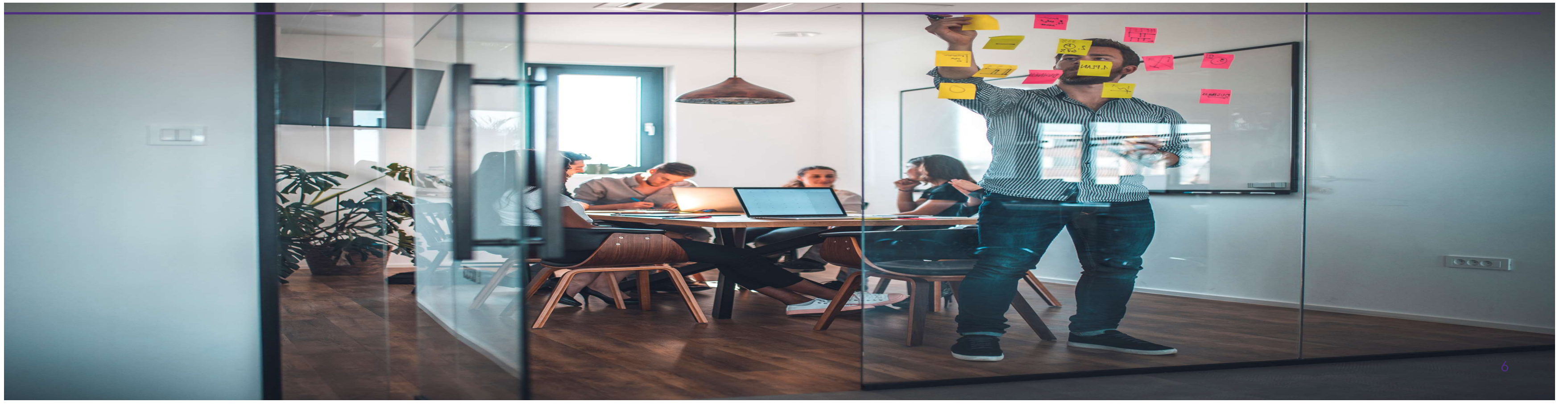
Our approach to materiality

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

We have revised the materiality amount to reflect the decrease in gross expenditure for financial year 2021-22. For planning purposes, we used the gross expenditure for financial year 2020-21 as the figures for financial year 2021-22 had not yet been made available.

We have also revised the performance materiality percentage from 75% to 70% of materiality to reflect the increased risk due to cash reconciliation issues resulting from the new system implementation as identified by our IT team .

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,005,000	16,000,000	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 benchmark for both the planning and year end materiality. Planning materiality was £17.072m for the group and £16.9m for the Council.
Performance materiality	11,203,500	11,200,000	Performance Materiality is based on a percentage (70%) of the overall materiality. The planning performance materiality was £12,804 for the group and £12.675m for the Council. They were calculated at 75% of overall planning materiality for the group and the Council respectively.
Trivial matters	800,250	800,000	This balance is set at £800k being 5% of the overall materiality. Triviality for the group and the Council at planning were £853k and £845k respectively. They were both calculated at 5% of the overall materiality at planning for the group and the Council.
Materiality for senior officers' remuneration and related parties	800,250	800,000	Senior officer remuneration and related parties are areas of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes. At planning, they were £853k for the group and £845k for the Council.



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and 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 Our work on management override of controls is complete. We have nothing to bring to the attention of those charged with governance and management.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Fraud in expenditure recognition As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.	We have: • inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period • inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compare size and nature of accruals at year to the prior year to help ensure completeness • investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. We identified from our completeness testing that for invoices relating to insurance policies with Zurich, the Council has recognised the full invoice amount of £1.6m which relate partially to both 21/22 and 22/23 as an expenditure in 21/22. This means that the Council has overstated expenditure in 21/22 by £804k (half of the total insurance policy). This has been recorded on the unadjusted error schedule at appendix C. We have completed our work on fraud in expenditure recognition. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the issue reported above.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary

Valuation of land and buildings
 	
The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£2,320m) as at 31 March 2022 and the sensitivity of the estimate to changes in key assumptions.
 	
Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2022 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
 	
We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
	• evaluated the competence, capabilities and objectivity of the valuation expert
	• discussed with and written to the Wilks, Head and Eve (the valuer) to confirm the basis on which the valuation was carried out
	• engaged our own valuer expert, Gerald Eve, to provide commentary on:
	    • the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
	• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
	
	We noted that the assets were valued as at 1 April 2021 and management applied indexation to estimate the values as at 31 March 2022. This indexation was not formally certified by the Council's valuer (Wilks Head and Eve). This is a departure from the requirements of the Code of Practice, however we are satisfied that it does not lead to material misstatement in the valuation of land and buildings. We have added a control point in the action plan in Appendix A recommendation that the Council obtain a formal valuation certified by their valuer when they apply indexation to determine the year end valuation of land and buildings.
	
	We identified that there were differences in the land value (0.4 hectare) used in calculation for one asset, the incorrect obsolescence rate (19% instead of 43%) was recorded for one asset and there was a variance in the value of undeveloped land (0.17) for one asset. The errors resulted in an understatement of 309k factual error after indexation. The extrapolated error is £1.2m understatement. We have recorded this on the unadjusted error schedule on appendix C.
	
	Our work on the valuation of Land and Buildings is complete. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the points noted above.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£722m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Our initial testing identified a material variance between the pension fund asset values which we expected and the values disclosed in the draft accounts. Our expectation was based on the asset share in the IAS 19 report estimated by the actuary for the year end assets. In order to get assurance over the accuracy over the pension fund asset values disclosed, we requested the management to obtain a revised IAS 19 report based on the actual year end asset values. Our work based on the revised IAS 19 report did not identify any material variances between our expectation and the pension fund asset value in the draft accounts. Our work on the valuation of pension fund net liability is complete. We have nothing to bring to the attention of the Audit and Standards Committee apart from the point noted above.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
New System Implementation In October 2021 the Oracle Cloud Fusion system replaced the Council's Oracle EBS system used for financial, payroll and HR transactions. Data migration is fundamental to any business technology transformation and there is a risk of error when data is moved from one system to another. New systems are often evolving and present a greater risk material misstatements. Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration, at financial statements level. Our work so far identified that the new fixed asset module is set up to record capital transactions in only one period rather than 12 periods. This will impact on some capital accounting transactions, for example depreciation calculations on mid-year additions and disposals. We understand the finance team is working through any manual adjustments that will be required for the Property, Plant and Equipment note and transactions in the financial statements.	We have: • performed detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance • evaluated the design and implementation of controls management put in place to ensure balances at month six were moved correctly to month seven are complete and accurate • reconciled opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets • reviewed manual capital accounting adjustments between the ledger and the financial statements • In addition to the above procedures, our IT auditors performed an assessment of the Council's processes and controls used as part of the transitioning from Oracle EBS to Oracle Cloud Fusion during the audit period. We have followed up on work which our IT specialist recommended us to do which was to ensure that a bank reconciliation was carried out in both R12 (the old system) and Oracle Cloud (the new system) in the month which the system implementation occurred. We identified there was no bank reconciliation for one of the bank accounts (S278) on the Oracle Cloud system. We challenged the council on this, and the Council advised us that a reconciliation was not necessary as there was no movement on the accounts. As it is good practice for a reconciliation to be carried out on both the old and new system at the time a system change is implemented, we have included a control point in the action plan in appendix A. Our work on the New System Implementation is complete. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the point we have raised above.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary

Valuation of Council Dwellings
The Council owns 8138 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of Beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.
This year the Council has conducted full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. The valuer reviewed the market changes from 1 April 2021 to 31 March 2022 to correctly state the value of HRA stock held by the Council during the financial period in current terms. The Council engaged its valuer, Wilks Head & Eve LLP, to complete the valuation of these properties.
For 2021/22 the year end valuation of Council Housing was £784 m. This represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.
We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work
	• evaluated the competence, capabilities and objectivity of the valuation expert
	• discussed with or write to the relevant valuer to confirm the basis on which the valuation was carried out
	• engaged our own valuer expert, Gerald Eve, to provide commentary on:
	    • the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
	• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
	• conducted sample testing of Beacon properties to ensure representative properties have been used in the valuation, and correctly applied to other similar properties
	• reviewed the estimate against valuation trends of similar properties within the private property market in Brent and then apply the social housing discount factor.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
	
	Similar to the other land and buildings, the council dwelling assets were valued as at 1 April 2021 and management applied indexation to estimate values as at 31 March 2022 which was not formally certified by the Council's valuer. We have added a control point in the action plan at appendix A recommending that the Council obtain a formal valuation certified by their valuer once indexation is applied.
	
	We also identified that two assets under construction (Gloucester House and Durham Court) with NBV of £54.5m became operational as HRA properties in November 2021. There were revalued in the year as HRA properties at £40.9m. An adjustment factor of 25% has been applied to the NBV as they are social housing properties. This means that the HRA balance was understated by £40.9m and the Assets under construction was overstated by £54.5m in the draft accounts. The council has adjusted for this error. We have recorded this on the adjusted error schedule at Appendix C.
	
	Our work on valuation of council dwellings has been completed. We have nothing else to report to the Audit and Standards Committee apart issue reported above.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Valuations of Infrastructure Assets The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment. We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.	The inherent risks which we identified in relation to infrastructure assets were: • an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs). We have completed the following work focusing on the Council's current year's infrastructure assets: - Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets - Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs - Evaluated the competence, capabilities and objectivity of any management expert relied upon - Challenged the information and assumptions used to inform the estimate - Considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets. Based on our work, we are satisfied that the Council has: • correctly applied the SI and the requirements in the CIPFA Code update • appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements • not identified any prior period adjustments requiring disclosure in the accounts.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,109.7m	Other land and buildings comprises £710.8m 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 (£396.1m) 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 2021 on a five yearly cyclical basis. 40% of total assets were revalued during 2021/22. Management has not documented consideration of alternative estimates for the valuation of it land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected given the council's estate. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 01 April 2021, based on the market review provided by the valuer as at 31 March 2022, to determine whether there has been a material change in the total value of these properties . Management's assessment of assets not revalued has identified no material change to the properties value. The total year end valuation of land and buildings was £1,109.7m, a net increase of £99m from 2020/21 (£1,010.7m).	The Council's valuer (Wilks Head & Eve) carried out a formal revaluation as at 01 April 2021. As described on page 9, we have raised a control point in the action plan in appendix A that management need to engage their valuers to formally certify the valuation when management use indexation as a method to determine the year end value of land and buildings. We have assessed the valuer to be competent, independent and capable. Our work on this estimate is ongoing and includes ; • checking the completeness and accuracy of the underlying information used to determine the valuation of land buildings • reviewing the consistency of estimate against the GE report • checking the reasonableness of the net increase in the valuation of land and buildings • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our work in relation to this key estimate – Valuation of Land and Building is complete. We have nothing to the attention of the Audit and Standards Committee apart from the points noted above and on slide 9.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £722m	The Council's total net pension liability at 31 March 2022 is £722m (PY £863m) comprising the London Borough of Brent Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £141m net actuarial gain during 2021/22.	• We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective. • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.70% to 2.75%	Grey
Pension increase rate	3.2%	3.15% to 3.30%	Light Purple
Salary growth	3.5%	Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 3.15% to 3.30% p.a.	Blue
Life expectancy – Males currently aged 45 / 65	Pensioners: 22.1 years Future pensioners : 23.2 years with a long term rate of improvement of 1.5% p.a.	Pensioners: 20.1- 22.7 Future pensioners : 21.4 – 24.3	Light Purple
Life expectancy – Females currently aged 45 / 65	Pensioners: 24.5years Future pensioners : 26years with a long term rate of improvement of 1.5% p.a.	Pensioners: 22.9- 24.9 Future pensioners : 24.8 – 26.7	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
Net pension liability – £722m		• We have checked the completeness and accuracy of the underlying information used to determine the net pension liability • We have confirmed there were no changes to valuation method • We have confirmed the reasonableness of the Council's share of LPS pension assets. • We have checked the reasonableness of the decrease in the net pension liability • We have checked the adequacy of disclosure of the net pension liabilities in the financial statements. We have completed our work on Net Pension Liability. We have nothing to report to the Audit and Standards Committee.	

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 Council Housing- £784m	The Council owns 8138 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Wilks Head and Eve to complete the valuation of these properties. The year end valuation of Council Housing was £784m, a net increase of £122m from 2020/21 (£662m).	We have: • assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. • checked the consistency of estimate against near GE report • checked the reasonableness of the net in the valuation of council dwellings. • checked the adequacy of disclosure of estimate in the financial statements. The council dwellings have been valued as at 1 April 2021 using the beacon methodology. Management have applied indexation to reflect the value of the council dwellings stock at 31 March 2022 using indexes from the valuer's market review. As noted on page 12, we have added a control point in the action plan at appendix A recommendation that the Council obtain a formal valuation certificate when it applies indexation. Our work in relation to this key estimate – Valuation of Council Housing is complete. We have nothing to bring to the attention of the Audit and Standards Committee apart from the points noted above and on slide 12.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Private Finance Initiative Assets- £176.3m	The Council has entered into three PFI projects which have generated assets to be used by the Council. These are; A 25 year project to provide, operate and maintain a sports centre and related facilities in Wilsden with the legal title transferring to the Council at the end of the contract A 20 year contract for the provision and maintenance of social housing, and replacement residential facilities for people with learning disabilities. The legal title transfers to the council at the end of the contract. The Council also controls the residual value of 158 units of housing stock within this contract as it has guaranteed nomination rights Provision and maintenance of social housing within Stonebridge. The inclusion of the block or flats within this contract was determined by a tenant's vote at the start of the contract. In 21/22, the Council has engaged Wilks Head and Eve to complete the valuation of the social housing within Stonebridge. The valuer has used the beacon methodology, in which a detailed valuation of representative property types is applied to similar properties. Some of the PFI assets are classified within other land and building and have either been valued using depreciated replacement cost (DRC) e.g. the Wilsden Sports Centre. Some of the other assets are valued on existing use value (EUV) basis. The year end valuation of Council's PFI assets recognised on the balance sheet was £176.3m, a net increase of £48m from 2020/21 (£128.4m).	We have: • assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. • checked the consistency of estimate against near GE report • checked the reasonableness of the net increase in the valuation of PFI assets . • checked the adequacy of disclosure of estimate in the financial statements. • Checked how management have assurance of the PFI assets which have not been valued in the year. Our work identified that Stonebridge PFI assets were revalued in 2016/17 at a net book value (NBV) of £84.0m. The revaluation was based on existing use value for housing held at affordable rent. A discount factor of 20% was applied to the market value as affordable rent is 80% of market rent. This is an error as the Stonebridge Housing PFI was and still is held at social rent which is significantly lower than market rent. The discount factor that should have been applied for social rent is 75%, therefore the NBV at 2016/17 should have been £26.3m. This is an overstatement of £57.7m in 2016/17. The overstatement as at 31 March 2021 is £59.3m. This resulted in a prior period adjustment. In 21/22, the impact of the above error was an overstatement in the NBV of the Stonebridge PFI assets by £91,702m. The Council has adjusted for both the prior period and the current year errors. We have recorded on the adjusted error schedule at appendix C. Our work in relation to this key estimate – valuation of PFI assets is complete. Apart from the point above, we have nothing else to bring to the attention of the Audit and Standard Committees.	Light purple

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £694m	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. For this purpose, the Council acts as the principal and credited such grants, contributions and donations to the Comprehensive Income and Expenditure Statement. These mainly comprise of: • Adult Social Care Improved Better Care Fund • DCLG - Adult Social Care Support Grant • DCLG - Revenue Support Grant • Basic Need Grant - Additional Primary Places • Business Rate Relief S31 Grant • Council Tax Admin Grant • Sales Fees and Charges Grant • Disabled Facilities Grant • DWP Flexible Homeless Grant However, for some grants, The Council is also acting as an agent and does not recognise grant income. The Council has recognised the following grants as agency transactions: • Department for Business, Energy and Industrial Strategy - Restart Grant • Covid - 19 Self - Isolation Payment Funding • Covid - 19 Infection Control Funding • Department for Business, Energy and Industrial Strategy - Omicron Hospitality & Leisure Grant The Council has received a number of grants, contributions and donations that have yet to be recognised as income . The have received The DLUHC - Council Tax Energy Bill Rebate – Discretionary Fund- which need to be spent by 30 November 2022. Any remaining funding will be required to be repaid to government.	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 We have identified the following: • The Council has incorrectly classified council tax energy bill rebate of £13.7m for which Council is acting as an agent as grant receipt in advance. The Council has agreed to reclassify this as a creditor inline with paragraph 2.6.2.4 of the 21/22 CIPFA Code. • A grant income of £8.775 million has been incorrectly classified as fees and charges • A grant income from Peabody development limited of amount £7.35m which relates to the 2022/23 financial has been incorrectly recorded as income for 21/22 The Council has adjusted for all the above errors. We have recorded them on Appendix C. We have completed our work on grant income and recognition. Apart from the points noted above, we have nothing else to bring to the attention of the Audit and Standards Committee.	Light purple

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
PFI provision - £17.6m	In 21/22 , 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 £2.7m, 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 £1.5m. This resulted in an net reduction of 1.2m in the PFI provision from 20/21 (£18.8m)	• The draft financial statements includes an accounting policy for provisions and PFI schemes. • The disclosure of the PFI provision within the financial statement is adequate. • Our review of the PFI provision calculation confirms that appropriate information has been used to determine the estimate and we deem the estimate to be reasonable.	Light purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £12.3m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £12.3m, a net increase of £2m from 2020/21 (£10.3m).	Whilst we are satisfied that the Council has approved its MRP through appropriate governance structures, the Council will need to ensure that the MRP continues to be adequate in the context of increased borrowing. We have carried out the following work: • Confirmed MRP has been calculated in line with the statutory guidance. • Confirmed the Council's policy on MRP complies with statutory guidance. • Assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by Full Council. • Analysed the Council's MRP percentage against total external debt held by the Council. This shows that the Council's MRP percentage against total external debt is 1.8% (1.6% in 2020/21). Whilst this is an upward trajectory in comparison to the decline noted in prior year, this is still below the average rate of 2%. Our work on MRP is complete.	Blue

Assessment

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

2. Financial Statements - Internal Control

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

Assessment

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

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.

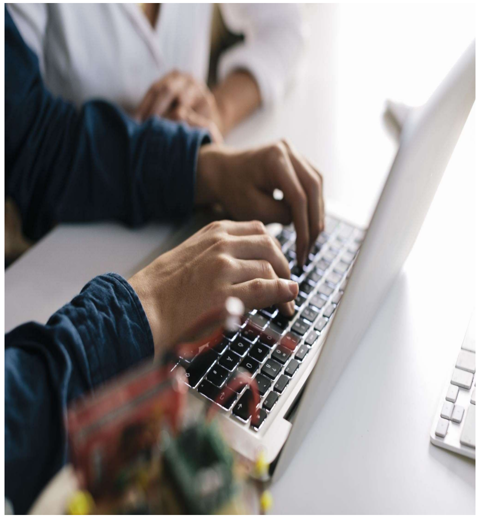
Significant matter	Commentary	Auditor view and management response
Impact of the Ukraine War	The Council like other local authorities in the country, is implementing the Homes for Ukraine scheme for Ukrainian nationals and their families to be sponsored to come to the UK. The council receives funding for those who arrive under the scheme and is expected to provide support to both the hosts and the guests. Local authorities have been asked to carry out extensive sponsor checks ahead of any visa being granted. Implementing this scheme has placed a significant administrative burden on the Council, specifically on adult social care, children's social care, housing and legal services. The Council has put in place a small dedicated team to administer the scheme. There are a number of risks associated with this project including safeguarding risks and migration pressures. The Council has captured these risks on its strategic risk register Another impact of the war in Ukraine is on the cost of energy and the knock on impacts on inflation. The Council considers the impact will be significant although the full effects have not yet fully materialised in the Council's budgets. The Cabinet discussed the risks and mitigations around this issue at their meeting on 18 July 2022 when the medium term financial outlook report was presented. Further updates on the impact of inflation on the Council's budget, including mitigations will be given to the Cabinet as part of the quarterly forecasts and when the draft 23/24budget is presented in November.	Overall, the Council seems to be have put in place reasonable arrangements to deal with implementing the Home for Ukraine scheme and the impact of the war on the cost of living crisis and the impact on the Council's budget The Council should continue to monitor, assess the risks and the impact on it's budget on a regular basis as it is currently doing and also ensure that there are appropriate mitigating actions in place. **Management response** The council will continue monitor and assess the risks of the war on the cost of living crisis and the Home for Ukraine scheme, and place in place mitigating actions for significant risks. Addressing the cost of living crisis is a key piece of work that is helping to shape the budget setting process for 23-24.
Value of infrastructure assets and presentation of the gross cost and accumulated depreciation in the PPE note	We made enquiries with the Council on how they derecognize their infrastructure assets when we became aware that many councils may not have been derecognizing their infrastructure assets in line with the CIPFA code The code requires infrastructure assets to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. London Borough of Brent has material infrastructure assets with a net book value of £242m as at 31 March 2022. There is therefore a potential risk of material misstatement related to the infrastructure balance. There was a consultation by CIPFA on how to address the derecognition issue. A statutory instrument came into force on 25 December 2022 and CIPFA issued an update to the Code for infrastructure assets in November 2022 . A further guidance was issued by CIPFA in January 2023. We have documented our findings on infrastructure assets on slide 13.	Management should review their infrastructure assets, the valuation, accounting treatment and derecognition of such assets to ensure that they are comply with the updated CIPFA code and new guidance on infrastructure assets. **Management response** The council has received formal update of the CIPFA code, and intends to fully comply with it.

2. Financial Statements - other communication requirements

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

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

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All requests were returned with positive confirmation. We requested management to send letters to those solicitors who worked with the Council during the year. We received all solicitor responses without issue.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We identified accounting policies relating to Asset under construction and IFRS 15 had to be updated and the Council has agreed to update them. See details in Appendix C
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management is being provided in a prompt manner. Due to the system change it was difficult for the Council to provide us with a listing whose total agreed to the amounts disclosed in the financial statements especially for income and expenditure. We worked with the Council to ensure that transaction listings were cleansed before we selected samples. In some instances the quality of working papers provided has not been sufficient. Not all working papers provided were simple to follow which has meant that many sample items have had to be revisited numerous times to get the sufficient level of evidence needed for the audit. The evidence and responses which the Council's valuer provided was not always specific and of sufficient quality to enable us to draw a conclusion on our work. We have had to raise several follow up queries and challenge the valuer on numerous occasions to get sufficient responses. The issues noted above have caused some delay to audit progress and we have raised a recommendation in Appendix A.

2. Financial Statements - other communication requirements

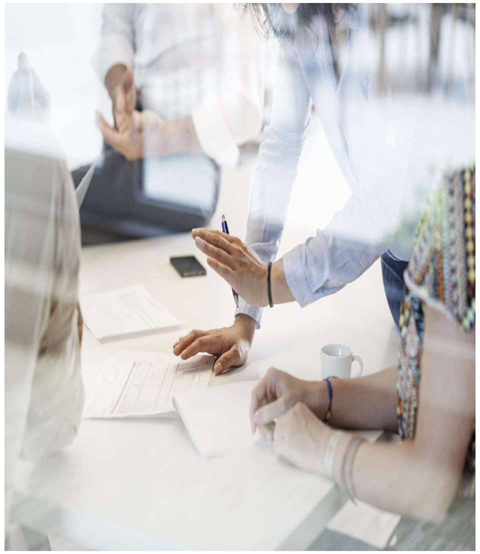
Our responsibility

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).

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work on this area is outstanding.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Work is not required as the Council does not exceed the threshold
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit of the London Borough of Brent in the audit report.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have completed all of our VFM work and we will issue our Auditor's Annual Report to the Audit and Standard Committee at it's meeting on 07 February 2023. 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 at this stage.

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. 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.

We have received confirmation that Gerald Eve, our auditor's expert is independent

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

Details of fees charged are detailed in Appendix D.

Transparency

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

5. 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 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	£5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £340,988 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	We do not prepare the returns and therefore, this mitigates the perceived self-review threat.
		Management	Any changes to the return identified following our work will be formally agreed with the Management and therefore, this mitigates the perceived Management threat.
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 £340,988 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	We do not prepare the returns and therefore, this mitigates the perceived self-review threat.
		Management	Any changes to the return identified following our work will be formally agreed with the Management and therefore, this mitigates the perceived Management threat.
Certification of Housing Benefit Claim	£18,000 plus per diem 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 £18,000 in comparison to the total fee for the audit of £340,988 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	We do not prepare the returns and therefore, this mitigates the perceived self-review threat.
		Management	Any changes to the return identified following our work will be formally agreed with the Management and therefore, this mitigates the perceived Management threat.
I4b Holdings Ltd audit	£31,000	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 £33,500 in comparison to the total fee for the audit of £340,988 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.

5. 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 2022, 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			
First Wave Housing audit	£33,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £31,000 in comparison to the total fee for the audit of £340,988 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.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 21/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Income Population Listing The total of the transaction listing provided for income did not agree with the income total disclosed in the accounts as it contained a lot of reversing entries. It took considerable time for the data to be cleansed to get the listing and get to a total which was not materially different to the accounts.	The Council should ensure that they provide the audit team with a cleansed data whose total is not materially different to the amount disclosed in the accounts. Management response The Council has ongoing work to reduce the volume of reversals, such as miscodings and credit notes. The Council's Financial Regulations place an emphasis on getting things right first time, but achieving this requires improvement across the council. The Finance Department will report these reversals monthly to the Director of Finance, and each Head of Finance will be required to come up with and implement a plan to reduce the volume of reversals in their area.
High	Review of opening and closing Balance The opening balance for 2020/21 NNDR debtors was incorrect and overstated by £1m. This resulted in the year end debtor balance being overstated by £1m. Whilst this is immaterial and has been recorded as an unadjusted error in appendix C, if there is no review of the closing balance and opening balances, this could lead to a potentially material overstatement in the future	The Council should ensure that there is a review of the closing balance and opening balances on the Collection Fund system to ensure that the correct opening balance is used in the NNDR model. Management response This is currently a manual process, the council is working on automating this process in 22-23 which should reduce the scope for errors and make reconciliation more straight-forward.

Internal Controls and Financial Statement issues

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

A. Action plan – Audit of Financial Statements- Continued

Assessment	Issue and risk	Recommendations
High	IT audit control findings Segregation of duties conflicts between finance and system administration roles in Oracle Cloud - 26 business users with financial responsibilities also have access to a range of high-risk system administration functions. Users can change system configurations and modify their own and other users' access. Lack of audit logging in Oracle Cloud – There is currently no audit logging enabled on Oracle Cloud. The Council is not able to prospectively or retrospectively identify users who have made inappropriate changes to system configurations. Monitoring of scheduled processes - IT audit team identified exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team. Project documents maintained in an unsecured format - 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.	• The Council should undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities. • The Council 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. • The Council should implement audit logging for financially critical areas including, but not limited to accounts payable, cash management, account receivable and the general ledger. • The Council 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 • The Council 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. **Management response** These findings are acknowledged, and the council is taking the following actions: • The Council has implemented a plan to remove the security roles from the users post 31-Mar-2022 and is tracking progress on this to ensure sufficient controls are in place to avoid this risk in the future, • a review will be carried out to assess the feasibility of building custom roles and taking into account cost, time and expertise needed to build these in time for the 2022/23 year end process, • a review will be carried out on the impacts of turning on audit logging for these areas in terms of cost, system performance and dependencies, • a review will be carried out determine how these notifications could be efficiently routed to the Oracle Cloud Application Support (OCAS) Team and which notifications should be in scope, and • a full review of the SharePoint site where project documentation is stored is being carried out to restrict access or editing rights. Following this any documentation published or circulated should be in PDF format.

Internal Controls and Financial Statement issues

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

A. Action plan – Audit of Financial Statements - Continued

Assessment	Issue and risk	Recommendations
Medium	PPE valuation findings The Council applied an indexation obtained from the WHE market review to non revalued assets and assets revalued at 1 April 2021. This is performed to ensure the assets are materially accurate and reflect the values as at 31 March 2022. Valuation experts did not review the values after the indexation was applied and a valuation certificate was not obtained by the valuer.	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 values of assets, management should engage a valuer to review the application of indexation. Management should then obtain a formal certificate from valuers which confirms that the indexation has been performed in accordance with the requirement under RICS Management response The council will work with its valuers to address these concerns for the 22-23 Statement of Accounts.
Medium	Wilks Head and Eve have made the assumptions of buildings being maintained in a state whereby the components retaining specific lifespans without management providing them with a capital maintenance programme .	We recommend that management share the capital maintenance programme with the valuer based on the assumptions they make in regards to maintenance and determination of asset lives. Management response The council will share this information with the valuer for 22/23
Medium	One of the principal assumptions that drive valuations for schools is pupil numbers. The Council and the valuer confirmed no data on pupil numbers was provided to the valuer regarding pupil numbers.	We recommend that for future valuations, management provide information on pupils number and other data related to this is provided to the valuer. Management response The council will share this information with the valuer for 22/23

Internal Controls and Financial Statement issues

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

A. Action plan – Audit of Financial Statements - Continued

Assessment	Issue and risk	Recommendations
Low	New System Implementation – Reconciliation Our IT audit specialist recommended that we check that bank reconciliation was carried out for all bank accounts on R12 (old system) and Oracle Cloud(New System) to to ensure that the Council was aware of variances between the bank and the GL on the new system, and the variations were were in line with previous variations from the final R12 reconciliation. We identified there was no bank reconciliation for one of the banks account S278 on the Oracle Cloud system. The Council advised us that a reconciliation was not necessary as there was no movement on the accounts.	The Council should ensure that a bank reconciliation is carried out 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 **Management response** This has been noted.
Low	There is a £2.6m difference between the debt balance as at 31 March 2022 used in the calculations of bad debt provision and the debt outstanding per trial balance. The difference is due to the extracted amount from Northgate database by IT Team was only the arrears (debits), and not including the collections this year. The provision calculation is weighted per debt aging, the exact impact cannot be calculated however any misstatement in provision it will be immaterial as the difference in debt balance is below PM . The basis for computing the bad debts provision was more prudent yielding higher provision.	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. **Management response** The council will review this process for 22/23, noting the concerns detailed.
Low	The Council confirmed that they did not consider forward looking information in their calculation of expected credit loss for adult social care debtors, temporary housing and HRA debtors. This should have been done as IAS 39 has already been superseded by IFRS 9. Per the CIPFA Code 21/22, para 7.2.9.19 and para 7.3.3.12,forward-looking information should be incorporated on the impairment calculation for financial assets (CIPFA Code 7.1.2.19)	We recommendation that management incorporates forward looking information in the impairment calculation for financial assets . **Management response** The council will consider forward looking information for 22/23

Internal Controls and Financial Statement issues

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Brent's 2020/21 financial statements, which resulted in six recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note [1] is still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	Cash in transit prior year error We recommended that management must ensure that bank reconciliation include review of in-year movement on the bank reconciliation to the bank statement, to identify any significant movements in cash in transit.	Cash in transit has been reconciled for 21-22, and there are no significant issues.
2	Ongoing	Transaction listings and audit evidence We recommended that the: • Transaction listings provided to audit should be cleansed of significant contra entries. • Quality of working papers should be consistent and easy to follow, containing the required information for audit. Update 21/22 We have raised this as an issue again this year and as such this point still remains.	In response, Management have undertaken the following: • a better process for cleansing significant contra entries for audit has been put in place, and • finance staff have had training from an external expert on working papers, and working papers will be reviewed to ensure that their quality and intelligibility are appropriate
3	✓	Grants register We recommended that management should: • Regularly review and update the grants register. • Reconcile the grants register to the financial statements as part of the accounts preparation process.	The Management have: • regularly reviewed and updated the grants register, and • reconciled the grants register to the financial statements as part of the preparation process

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations - Continued

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4	✓	Payroll creditors reconciliation We recommended that management must complete a reconciliation of payroll creditors and identify any issues which may apply to future years' reconciliations.	Payroll creditors have been reconciled to the closing 21-22 position
5	✓	IT audit control findings – Security management We recommended management to review and address detailed recommendations as set out in the 2020/21 IT Audit Report. Subsequently the Council moved to Oracle Cloud Fusion in October 2021.	The council has put considerable effort into developing an appropriate set of IT controls for Oracle Cloud, and has engaged with internal audit throughout the process to ensure that these controls are consistent with best practice.
6	✓	Useful economic lives of buildings We recommended that management should provide its valuer with the capital improvement plan for its asset base, to inform accurate useful economic lives of buildings.	The capital improvement plan has been discussed with the valuers, and the information they requested was provided to them.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Debtors and Creditors Balance – Council Account			.
Dr Trade Payables		8,785	
Credit Trade Debtors		(8,785)	
One of the debtor samples selected was a control balance which increases both debtor and creditor balance by the same amount (£8.785m). It should have been nil at the year end however it was left in both the debtor and creditor balances . This is a factual error. The above shows the adjustment to correct the error.			
Overstatement of Accruals – Council Account			
Dr Accruals (Current Liabilities)		2,690	
Cr Expenditure	(2,690)		
One of the accrual samples tested was over accrued by £2.69m. The total of the sample tested was £5.69m. We are testing the rest of the balance to ensure that the error is an isolated error. We have recorded this as a factual error.			(2,690)

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Historic Creditors – Council Account			
Dr Creditors		1,570	
Credit Expenses	(1,570)		(1,570).
This represents the write off of historical items which are no longer creditors			
Impact of undercharge in subsidiary's (I4B) interest rate on the Council's accounts			
Dr Loans (Principal Soft Loan)		1,600	
Cr Investment (Soft Loan)		(1,600)	
This is the adjustment for the loss represented by the undercharge of 0.1% in interest rate as compared to the market rate to I4B. This has resulted in less of the soft loan balance (£1,6m) required to be reported as an investment in the Council's accounts.			

C. Audit Adjustments

Impact of adjusted misstatements - Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Prior Period Adjustment– Council Account			
This shows the correction of prior period error in relation to Stonebridge PFI which was incorrectly valued as an affordable housing (discount factor of 20% applied to market rent) instead of social housing (discount of 75% applied to market rent)			
Dr Revaluation Reserve		64,755	
Credit (PPE Cost) NBV		(59,316)	
Cr Accumulated Depreciation		(5,538)	
Shows reduction in the NBV of the assets by £59.3m as at 31 March 2021.			
Dr Accumulated Depreciation		5,538	
Cr Capital Adjustment Account		(5,538)	
Dr Capital Adjustment Account		5,538	
Cr Revaluation Reserve		(5,538)	
Shows movement between the Movement in Reserves Statement and the Capital Adjustment Account			
Correction of the error in valuation of Stonebridge PFI as an affordable housing (discount factor of 20% applied to market rent) instead of social housing (discount of 75% applied to market rent) in 21/22			
Dr Revaluation Reserve		91,702	
Dr accumulated Depreciation		1,204	
Credit (PPE Cost) Gross Carry Amount		(92,906)	
Dr accumulated Depreciation			

C. Audit Adjustments

Impact of adjusted misstatements - Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Adjustment for assets under construction (AUC), -Gloucester and Durham Road developments which became operational in November 2021			
DR PPE cost (Council Dwelling HRA)		54,556	
Cr PPE cost (AUC)		(54,556)	
Shows transfer from AUC to Council Dwellings			
Revaluation as HRA properties			
Dr PPE Cost (HRA Council Dwelling)		40,917	
Cr I and E HRA	(40,917)		
Dr Capital Adjustment Account	40197	(40,197)	
Cr MIRS			
		(252)	
Dr (Depreciation on HRA assets)			
CR I and E HRA	252	252	
Dr Capital Adjustment Account	(252)		
CR MIRS			

C. Audit Adjustments

Impact of adjusted misstatements - Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Correction of grant income which relates to 22/23 which has been incorrectly recorded in 2021			
Dr Grant income	7,350		7,350
Cr Receipt in advance		(7,355)	
Overall impact	3,090	-3,090	3,090

C. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
In the draft accounts, Brent have included prior year restatements due to final audit of subsidiary i4B. The restatements were immaterial to the Group.	To remove the restatements in relation to i4B adjustments as this is not material to the Group. Management response This will be updated	✓
There is no prior year comparatives disclosed for the adjustments between accounting basis and funding basis analysis.	The analysis for the adjustments between accounting basis and funding basis must also be provided for the comparative year. Management response This will be updated	✓
Note 14 EFA - £17.7m is an arithmetical error and should be (£7.1m); both the (£7.7m) for the general fund and £0.6m for the HRA are readily visible in the MIRS.	£17.1m to be corrected to agree to the MIRS. Management response This will be updated	✓
The disclosures in relation to the Alperton lease are incorrect.	The lease disclosures to be reviewed and amended to reflect that the Alperton lease has not commenced yet. Management response This will be updated	✓

C. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
The note 30 footnote states that the table includes the senior employees reported at note 29. This is not in accordance with the requirements and so the numbers reported are overstated.	The note to be reviewed and corrected to be code compliant. Management response This will be updated	✓
There are no short term and long term debtors note disclosed in the group accounts as the value of the total debtors is materially different when compared to the total debtors value in the single entity accounts.	Debtors note to be added to group accounts. Management response This will be updated	✓
The accounting policy 3.1 states that AUC is held at invoiced construction cost at the year end.	This should be measured at historic cost and this should be established on an accruals basis. Management response This will be updated	✓
Accounting policy 4.3 work in progress is out of date and does not reflect the requirements of the Code under IFRS 15.	The note to be updated to reflect the Code requirements. Management response This will be updated	✓
Dedicated School Grant- Presentation of dedicated school grant was not as per the statutory requirement. Deficit of 2020/21 was required to present in different line in the note.	The note to be updated to reflect the Code requirements. Management response This will be updated	✓

C. Audit Adjustments cont'd

Disclosure omission	Auditor recommendations	Adjusted?
The Intangible assets balance is material in 2021/22 however this is no supporting note for this in the accounts.	A note to be added. Management response This will be updated	✓
Cash Flow statements – the Increase/decrease in debtors figures and the Increase/decrease in impairment for bad debts were incorrect.	To correct the Increase/decrease in debtors figures to -56.2M and add Increase/decrease in impairment for bad debts of 6.1M. Management response This will be updated.	✓
Audit fees note does not agree to the Audit plan communicated to Those Charged With Governance.	Audit fees note has been amended to include the 10k new system implementation fee that was included within the Audit Plan. Management response This will be updated.	✓
Various minor disclosure and formatting changes	In addition to these, we identified a number of other minor improvements to disclosures, formatting and accounting policies which are not deemed to be significant enough to bring to the attention of Those Charged With Governance. Management response This will be updated.	✓

C. Audit Adjustments

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

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.

Misclassification	Auditor recommendations	Adjusted?
In the draft accounts, the Council incorrectly misclassified £4.5m of other payables as trade payables.	To correct the misclassification between other payables and trade payables. Management response This will be updated	✓
The council incorrectly recognised £2,153k collection fund receipts relating to 22/23 as a debtor (prepayment) for the Council instead of a creditor (receipt in advance)	The Council should correct this misclassification Management response This will be updated	✓
There is £1.4m debit balance on Long Term Creditors which has been reclassified to Long Term Liabilities. This should be reflected in the Liabilities at Amortised Costs – Other on Note 24, which will reduce the balance from £3.5m to £2.1m and the total by the same amount.	The Council should correct this misclassification Management response This will be updated	✓
The Council incorrectly classified Council Tax Energy Bill Rebate of £13.7m for which Council is acting as an agent as Grant receipt in advance. The Council will reclassify this as a Creditor inline with paragraph 2.6.2.4 of the 21/22 CIPFA Code.	The Council should correct this misclassification Management response This will be updated	✓

C. Audit Adjustments

Misclassification and disclosure changes - Continued

Misclassification	Auditor recommendations	Adjusted?
In the draft accounts, the Council incorrectly misclassified grant income of £8.7m as fees and charges	To correct the misclassification between other payables and trade payables. Management response This will be updated	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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	Reason for not adjusting
Collection fund Debtors overstatement				The Council is not adjusting it as it is 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.				

C. Audit Adjustments

Impact of unadjusted misstatements- Continued

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

C. Audit Adjustments

Impact of unadjusted misstatements- Continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Shows the correction of errors resulting from differences in the land value used in calculation, use of incorrect obsolescence rate and difference in the value of undeveloped land calculation for 3 individual asset. The errors resulted in an understatement of £309k factual error after indexation. The extrapolated error is £1.2m understatement. Dr PPE Cost Cr Revaluation Reserve		1200 (1200)		The Council is not adjusting as the error of 1.2m is extrapolated. The factual error of £303k is below triviality.
Overall impact	(804)	804	(804)	

D. Fees

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

Audit fees	Proposed fee	Indicative Final fee
Council Audit	£237,184	£237,184
Additional fee for work arising from hot review of the financial statements and extra work from testing from two systems.	£15,000	£15,000
Pension Fund Audit	£37,808	£37,808
Audit of First Wave Housing	£31,000	£31,000
Audit of i4B Ltd	£33,500	£33,500
Total audit fees (excluding VAT)	£354,492	£354,492

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