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

Grant Thornton

London Borough of Brent audit plan

Year ending 31 March 2023

London Borough of Brent

July 2023

Contents

Your key Grant Thornton team members are:

Ciaran McLaughlin
Key Audit Partner
T 020 7728 2936
E Ciaran.T.McLauglin@uk.gt.com

Sheena Phillips
Senior Manager
T 020 7865 2694
E Sheena.S.Phillips@uk.gt.com

Nnana Mokhonoana
Assistant manager
T 020 7865 2577
E Nnana.S.Mokhonoana@uk.gt.com

Key matters

National context

As government funding has been cut, the population of Brent has grown. The population growth is particularly pronounced in the very oldest and very youngest age groups, which most likely to require services from the Council, thus adding to the cost pressures. The sluggish national economic growth remains and in Brent this leads to unemployment rates above the national and London averages. The Council's budget has been focused on delivering efficiencies in order to achieve a balanced budget in the face of government funding reductions.

The Council's General Fund position as at 31 March 2023 is break even after a transfer from corporate contingency which covered overspends in the Children and Young People (CYP) service of £3.7m and Care, Health and Wellbeing of £0.9m. The Dedicated Schools Grant (DSG) shows a break -even position with an in-year under spend of £1.3m transferred to reserves, while the Housing Revenue Account (HRA) outturn is breakeven. In terms of Capital, for 2022/23 the Council spent £191.5m which equates to 82% of the approved capital programme budget and was under spent compared to budget by £41.2m. The high inflation in the in the economy, and in the building industry in particular, poses significant challenges to viability for the Council's capital proposals not yet subject to contract. The Council's capital schemes at Windmill Court, Kilburn Square, Lidding Road and Seymour Court delivering 212 affordable homes have been paused due to viability challenges.

The Council sets its strategic direction via its Borough Plan. The Borough Plan 2023-27 sets out the Council's vision for the next four years and its primary aim is 'Moving Forward Together'. There is an emphasis how the Council will work with others to support people through the cost-of-living crisis, realise climate change ambitions and harness the diverse range of communities.

During 2022/23 the Council restructured its departments and appointed a new Chief Executive.

Key matters

National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, will be agreed with agreed with the Corporate Director Finance and Resources.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We raised 9 internal control and financial statement issues with management in our 21/22 Audit Findings Report as shown on page 16 to 19. Management have not been able to implement our recommendations yet as they received our final report in March 2023, and they have been busy with producing the 22/23 accounts between April and July . We issued the final Auditors Annual report for the 21/22 VFM work to management in February. We did not identify any significant weaknesses from our 21/22 value for money work, however we made 7 recommendations. We will follow up up with management as to whether they have been able to implement the recommendations we made as part of our 22/23 value for money work.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Brent ('the Council') for those charged with governance.

Respective responsibilities

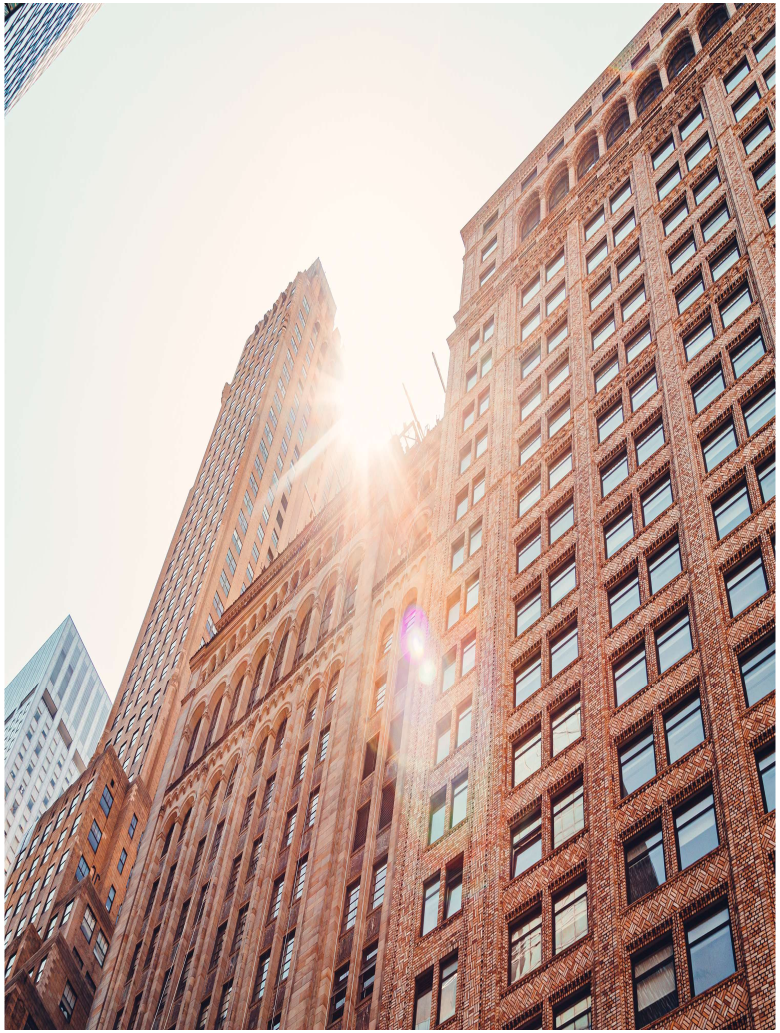
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Brent. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue recognition (rebutted);
- Fraud in expenditure recognition;
- Management override of controls;
- Valuation of land and buildings
- Valuation of Council Dwellings ; and
- Valuation of net pension fund liability.
- We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- London Borough of Brent
- First Waves Limited
- I4B Holdings Limited
- LGA Digital Services Limited
- Barham Park Trust

Materiality

We have determined planning materiality to be £16.6m (PY £16.9m) for the group and £16.6m (PY £16.9m) for the Council, which equates to 1.5% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

There were a number of material audit adjustments in the prior year due to errors which we identified from our work on assets under construction, council dwellings revaluations, revaluation reserve, and other non-material adjustments on debtors and creditors and have reduced performance materiality from 75% to 70%.

Clearly trivial has been set at £0.830m (PY £0.845m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our interim visit will take place in July and our final visit will take place in September Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £232k (PY: £308k for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Council	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	No specific work is planned as the presumed risk has been rebutted.
Fraud in expenditure recognition	Council	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.	We will: • Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period. • Inspect 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. • Investigate 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.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The 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 will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk

Valuation of land and buildings	Council	The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1,018.3m) 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 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
		
		We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.
			We will:
			• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
			• Evaluate the competence, capabilities and objectivity of the valuation expert.
			• Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out.
			• Engage 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.
			• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
			• Test revaluations made during the year to see if they have been input correctly to the Council's asset register.
			• Evaluate 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.

Significant risks identified

<table>
<tr><th>Risk</th><th>Risk relates to</th><th>Reason for risk identification</th><th>Key aspects of our proposed response to the risk</th></tr>
<tr><td>Valuation of council dwellings</td><td>Council</td><td>The Council owns 8,138 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 will conduct full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. The valuer will then review 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 has engaged its valuer, Wilks Head & Eve LLP, to complete the valuation of these properties.

For 21/22 the year end valuation of Council Housing was £796.9m. 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 misstatement, and a key audit matter.</td><td>We will:
Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.
Evaluate the competence, capabilities and objectivity of the valuation expert.
Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out.
Engage 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.
Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
Conduct sample testing of Beacon properties to ensure representative properties have been used in the valuation, and correctly applied to other similar properties.
Review the estimate against valuation trends of similar properties in London.
Evaluate 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.</td></tr>
</table>

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	Council	The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£722m) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • Update 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. • Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Test 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. • Undertake 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.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note	Council only	Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2022, the net book value of infrastructure assets was £242.5m which is a significant multiple of materiality. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: 1.The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. 2.The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.	We will: • Reconcile the Fixed Asset Register to the Financial statements • Using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets • Obtain assurance that the UEL applied to Infrastructure assets is reasonable • Document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated

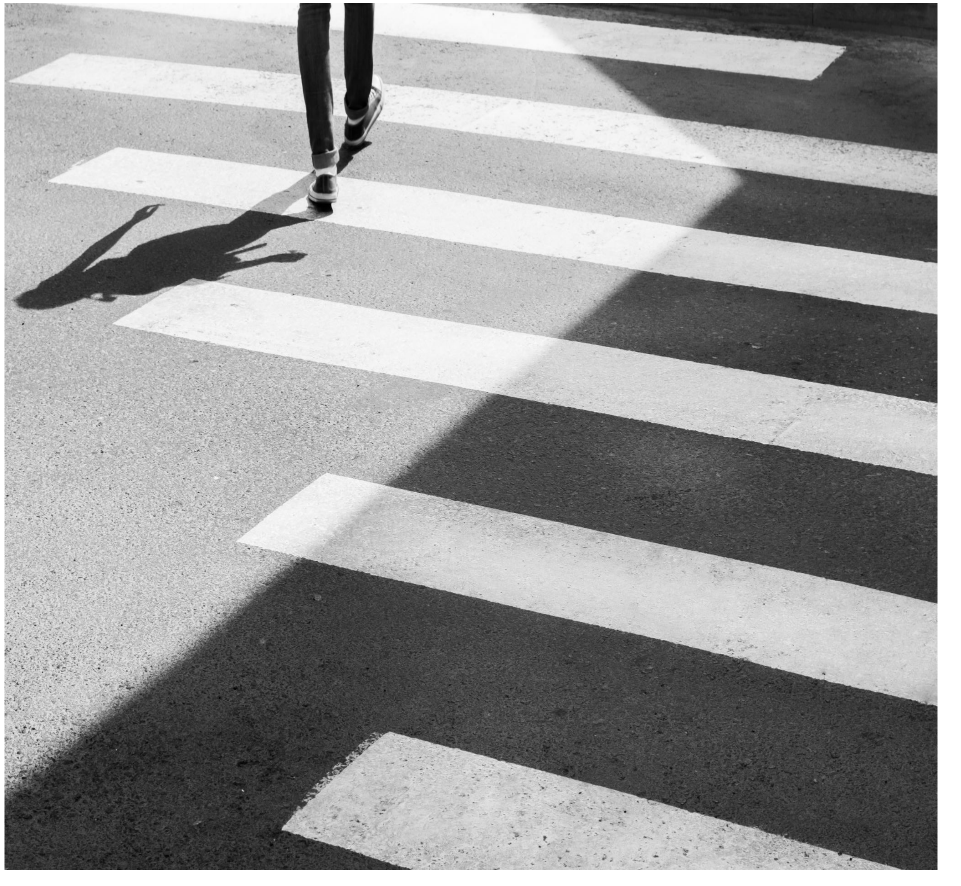
'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Key changes within the group:

The group risk assessment has not identified any changes from the prior year as shown on the next page.



Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
London Borough of Brent	Yes		See pages 8 to 12	Full scope audit performed by Grant Thornton UK LLP
First Wave Housing	No		None	Analytical review performed by Grant Thornton UK LLP
I4B Holdings Ltd	No		None	Analytical review performed by Grant Thornton UK LLP
LGA Digital Services	No		None	Analytical review performed by Grant Thornton UK LLP
Barham Park Trust	No		None	Analytical review performed by Grant Thornton UK LLP

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the group financial statements, which resulted in 9 recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations and 9 are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	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.	To be confirmed
X	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.	To be confirmed

Progress against prior year audit recommendations - continue

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	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. Audit Team Recommendation • 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.	To be confirmed

Progress against prior year audit recommendations - continue

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	The Council applied an indexation obtained from the WHE market review to non-revalued assets and the 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 values after the indexation was applied and a valuation certificate was not obtained from the valuer. The Code does not permit the use of indices as a means to adjust the carrying amount and this does not reflect a valuation in accordance with RICS. The Code requirements are not met. However, the audit team have engaged an external valuer to ensure the impact is immaterial. We recommend that management engage their valuers to perform valuation as at the year-end. Where management applies indexation to arrive at the year-end value of assets, management should engage a valuer to review the application of indexation. Management should then obtain a formal certificate from the valuers which confirms that the indexation has been performed in accordance with the requirement under RICS and the CIPFA Code of Practice.	To be confirmed
X	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 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.	To be confirmed
X	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 recommendation that management incorporates forward looking information in the impairment calculation for financial assets .	To be confirmed

Progress against prior year audit recommendations - continue

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	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	To be confirmed
X	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.	To be confirmed
X	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 .	To be confirmed

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.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. Materiality at the planning stage of our audit is £16.6m, which equates to 1.5% of your draft gross expenditure for the period.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. – We have identified senior officer remuneration as a balance which is material by nature, as these are considered sensitive disclosures. We will carry out audit procedures on it. – We have identified audit fees as a balances a balance which is material by nature , as these are considered sensitive disclosures. . We will carry out audit procedures on it.

Our approach to materiality

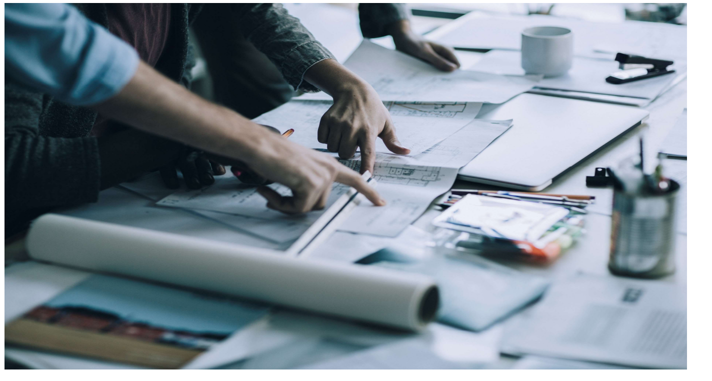
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.83m (PY £0.84m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.

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.

	Amount (£)	Qualitative factors considered
Materiality for the London Borough of Brent financial statements	16.6m	1.5% of the gross expenditure for the year ended 31/03/2022.
Materiality for specific transactions, balances or disclosures [senior officer remuneration]	N/A.	In LG, the senior manager remuneration note typically includes around 10 individuals and discloses their pay and other benefits, including employer pension contributions. It does not include the overall value of the pension entitlement (unlike the CETVs disclosed in the NHS). For each line of the table, the total remuneration is typically in the range of 80-200k. This note is an element of the accounts which is of genuine concern to the user of the accounts, with the salaries of senior officers sometimes the subject of adverse publicity. The area requiring judgement is what level of error within the disclosures made would result in us qualifying our opinion . We will review all the senior officer's remuneration disclosures as they are sensitive by nature.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 25.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Spend/Income	Planned level IT audit assessment
Oracle Cloud	Financial reporting(also used for payroll and pension liability)	£1108m/£769m	The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud.
Capita	Collection Fund	£241m/£39m	The audit team will carry out a detailed ITGC assessment (design effectiveness only)
Northgate	Housing Rent	£115m/60m	The audit team will carry out a detailed ITGC assessment (design effectiveness only)

ISA315

ISA 315 (revised July 2020) takes effect for accounting periods starting on or after the 15th December 2021. This ISA deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. The revisions made in the ISA have increased the level of work required of auditors and detail of this extra work is set out below.

Area	What's changed?	Impact on the audit
Information Technology Environment	The new requirement states certain aspects of the IT environment must be understood and documented for each significant classes of transactions, account balances and disclosures (SCOT+). The auditor is required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response.	The audit team will be required to: • perform walkthroughs of the IT environment; • identify and review relevant controls within the IT environment to ensure they are operational; • obtain details of the relevant IT / technical infrastructure (i.e., server location, database type); and • obtain details of the processes that operate within the IT environment (i.e., process to manage user access or manage a program or IT environment change).
Considering IT risks related to internal controls relevant to the audit.	The auditor is required to identify controls within a business process and identify which of those controls are controls relevant to the audit. For each internal control relevant to the audit, the auditor is required to evaluate the design of the control and evidence effective implementation of the control. The auditor is required to evaluate the design and determine the implementation of the general IT controls (ITGCs) that address the risks arising from the use of IT.	This requirement will lead to a significant change in practice, to the level of detail in which we will be required to understand the risks arising from the use of IT and associated general IT controls (ITGCs). There has been a significant increase in the number of detailed ITGC assessments required.
Control reliance	In previous years, where we had performed a walkthrough of your controls (such as operating expenditure), we were able to use the review of these controls to obtain comfort over the design effectiveness of your system. This would usually result in smaller sample sizes. The changes made to the ISA mean that design effectiveness will no longer grant a benefit when determining sample sizes.	There will be larger sample sizes across a number of areas. Key areas where we will likely see the biggest increase are: • operating expenditure and payables; • property, plant and equipment; • non-contract income. This is not a complete list but these will be the areas we expect to be most affected.

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office -issued its latest Value for Money guidance -to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report. You should also delete the 'Potential types of recommendations' table

Audit logistics and team

Audit committee July

Audit committee TBC

Year end audit July to September

Audit committee TBC

Audit committee TCB

Planning and risk assessment

Audit Plan

Interim Progress Report

Audit Findings Report/Draft Auditor's Annual Report

Audit opinion

Auditor's Annual Report

Ciaran Mclaughlin, Key Audit Partner

Ciaran is the engagement lead for the Council. He provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers.

Sheena Phillips, Senior Audit Manager

Sheena plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues arising.

Nnana Mokhonoana, Audit Incharge

Nnana is the Key audit contact responsible for the day to day management and delivery of the audit work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the London Borough of Brent to begin with effect from 2018/19. The fee agreed in the contract was £153,684. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

.

	Actual Fee 2020/21	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23 CM0
London Borough of Brent Council Audit	£227,184	£307,734	£231,567
Audit of First Waves Limited	£29,500	£31,000	£37,000
Audit of I4B Holding Limited	£31,500	£33,500	£40,000
Brent Pension Fund Audit	£37,808	£40,308	£37,771
Total audit fees (excluding VAT)	£325,992	£412,542	£346,308

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

CM0	Include the Pension Fund fee here as well for completeness Ciaran T McLaughlin, 2023-07-10T16:44:03.265
SSP0 0	Updated to include pension fund fees Sheena S Phillips, 2023-07-11T16:14:29.481

Audit fees – detailed analysis

Scale fee	£173,434
Audit of Group Accounts (not included in the Scale Fee)	£5,0260
Additional audit procedures arising from a lower materiality	£6,575
Enhanced audit procedures for Property, Plant and Equipment	£7048
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISA 540	£6,000
Journals	£3,000
FRC response - additional review, EQCR or hot review	£1,500
Enhanced audit procedures for Infrastructure	£2,500
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
ISA 315	£5,000
Total proposed audit fees 2022/23 (excluding VAT)	**£231,567**

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

[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 group and 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.

Service	Estimated Fees (to be confirmed in due course) £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension grant	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy	27,000 plus day rate for additional work required.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Independence and non-audit services - Continued

Service	Fees £	Threats	Safeguards
Audit related			
I4B Holdings Ltd Audit	£40,000	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 £40,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
First Wave Housing Ltd Audit	£37,000	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 £37,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Objection to the 2021/22 accounts	TBC	None identified	

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

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

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

Grant Thornton

grantthornton.co.uk