



# Grant Thornton

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

# External audit plan

Year ending 31 March 2023

Brent Pension Fund

July 2023

# Contents



## Your key Grant Thornton team members are:

### Ciaran McLaughlin

Key Audit Partner

T 020 7728 2936

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

### Sheena S Phillips

Senior Manager

T 020 7865 2694

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

### Aleksandra Liutina

Audit In-Charge

T 020 7728 2704

E Aleksandra.Liutina@uk.gt.com

Section	Page
Key matters	3
Introduction and headlines	5
Significant risks identified	7
Other Risks	10
Other matters	11
Progress against prior year recommendations	12
Our approach to materiality	15
IT Audit Strategy	17
Audit logistics and team	20
Audit fees	21
Independence and non-audit services	24
Communication of audit matters with those charged with governance	26

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

# Key matters



## National context

The pension fund has seen a small decrease of £13.5m in the net assets available for benefits during the 22/23 financial year. The net assets as at 31 March 2023 is £1,1120.3m (£1,1133.8m as 31 March 2022). Investment income has remained the same at £1.1m. The total contributions have increased from £64.1m in 21/22 to £67.5m in 22/23. This suggests that the pension fund has not seen a significant change in investment value or a decline in terms of member contributions. The number of pensioners have increased from 6967 to 7160.

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

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.

## Changes in IT systems

The pension fund changed its pension administration system from Altaire to Civica Universal Pensions Management (UPM) system. We have considered this as a significant risk on page 10.

# 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 the Corporate Director Finance and Resources
- 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
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regard to management override of control– refer to page 8
- We identified a significant audit risk relating to change in the pension administration system from Altaire to UPM – refer to page 10. Our IT auditors will review the Fund's process for ensuring the data migration was complete and accurate.



# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Brent Pension Fund ('the Pension Fund') 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 Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. 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 Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance the Audit and Standards committee.

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 Pension Fund 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 Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund'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:

- The revenue cycle includes fraudulent transactions – this risk has been rebutted as documented on page 7
- Management override of controls
- Valuation of Level 3 Investments
- The implementation of a new Pensions Administration System

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.

## Materiality

We have determined planning materiality to be £17.04m (PY £10.31m) for the Pension Fund, which equates to 1.5% of your prior year net assets as at 31/03/2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.85m (PY £0.51m).

## Audit logistics

Our interim visit will take place in March 2023 and our final visit will take place in July 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £37,771 (PY: £37,808) for the Pension Fund, subject to the Pension Fund 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.

## 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.

# 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
Presumed risk of fraud in revenue recognition ISA (UK) 240	Pension Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>- there is little incentive to manipulate revenue recognition</li> <li>- opportunities to manipulate revenue recognition are very limited</li> <li>- the culture and ethical frameworks of local authorities, including London Borough of Brent Council and Pension Fund, mean that all form of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for London Borough of Brent Pension Fund.</p>	Significant risk rebutted
Management over-ride of controls	Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals.</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments	Pension Fund	<p>You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £101.3m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.</p> <p>We therefore have identified Valuation of Level 3 Investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes for valuing Level 3 investments.</li> <li>• Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met.</li> <li>• Independently request year-end confirmations from investment managers and the custodian.</li> <li>• For a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period.</li> <li>• In the absence of available audited accounts, we will evaluate the completeness, capabilities and objectivity of the valuation expert.</li> <li>• Where available review investment manager service auditor report on design and operating effectiveness of internal controls.</li> </ul>



# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The implementation of a new Pensions Administration System</p> <p>- The system changed from Altair to Civica UPM</p>	Pension Fund	<p>In November 2022, Brent Pension Fund moved its Pensions Administration function from the Altair System to the UPM System.</p> <p>As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end.</p> <p>The system change impacts benefits payable and contributions which are material balances in the accounts as they are contributed by members.</p> <p>Thus, we have identified a significant risk in this area over the completeness and accuracy of the transfer between the systems.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Obtain an understanding of the processes and controls put in place by management to ensure the completeness and accuracy of the transfer of data between the old and new Pensions Administration System;</li> <li>Review the checks undertaken by management over the data transfer to assure themselves over the completeness and accuracy of the transfer;</li> <li>Engage our IT Audit Team to review the controls in place for the new Pensions Administration System;</li> <li>Undertake testing on the transfer between the systems to confirm all members have been correctly transferred between the two systems.</li> </ul>

'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).

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

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Local Government Pension Scheme triennial valuation	-Pension Fund	<p>Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.</p> <p>The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the methods used to calculate the estimate, including the models used</li> <li>review the actuarial reports and assess the reasonableness of the assumptions made in the reports.</li> <li>perform tests on the accuracy and completeness of the data used in the valuation process. This includes examining source documents and reconciling data to supporting records.</li> <li>evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.</li> </ul>

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.

'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]

# Other matters

## Other work

The Pension Fund is administered by London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## 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 Pension Fund's financial statements, which resulted in 4 recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations and 4 are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> <li>• A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles.</li> <li>• A Senior Finance Analyst had access to six Brent L3 Support roles.</li> <li>• The Head of Finance had access to the IT Security Manager role.</li> <li>• Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022).</li> <li>• 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role.</li> </ul> <p><b>Risk</b></p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p> <p>It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p>	<p>Our recommendation has been partly implemented with respect to removing the security roles from the users. We are waiting update from management from the recommendation to them to build in custom roles instead of assigning powerful system administrator roles.</p>

# Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Lack of audit logging in Oracle Cloud.</p> <p>Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p><b>Risk</b></p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p> <p>We recommended that the Council implement audit logging for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Accounts Payable (including Suppliers);</li> <li>• Cash Management;</li> <li>• Accounts Receivable; and</li> <li>• General Ledger.</li> </ul> <p>The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations</p>	To be confirmed
X	<p>Monitoring of scheduled processes.</p> <p>Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</p> <p><b>Risk</b></p> <p>Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud.</p> <p>It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.</p>	To be confirmed



# Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Project documents maintained in an unsecured format.</p> <p>Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams.</p> <p><b>Risk</b></p> <p>There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned.</p> <p>For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation:</p> <ul style="list-style-type: none"> <li>• Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner.</li> <li>• Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team.</li> <li>• Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom.</li> </ul>	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	<p><b>Determination</b></p> <p>We have determined financial statement materiality based on the following:</p> <ul style="list-style-type: none"> <li>• <b>For the Pension Fund:</b> planning materiality - £17.04million (PY: £10.31million). This equates to approximately 1.5% of the prior year gross asset value.</li> </ul> <p>Specific materiality has been set for transactions within the fund account other than those related to investment activities. Planning materiality - £4.56million (PY: N/A – no separate materiality set in prior year).</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified transactions in the Fund accounts (i.e. contributions, benefit payments, management expenses etc.) as transactions where we will apply a lower materiality level. The reason for this is as follows:</p> <ul style="list-style-type: none"> <li>– paying pensions and collecting contributions are core aspects of what a LGPS fund does</li> <li>– current pensioners and prospective pensioners will want assurance that pension payments are accurate</li> <li>– employers and prospective pensioners will want assurance that contributions are accurate.</li> </ul> <p>We have set a materiality of £4.56million for the Fund accounts transactions.</p>

# Our approach to materiality

Matter	Description	Planned audit procedures
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>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.</p>
4	<p><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p>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.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.85m (PY £0.51m). 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.</p>

# 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 20.

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	Planned level IT audit assessment
Oracle Cloud (General Ledger)	Financial reporting	The IT audit team have carried out a design and implementation effectiveness controls review over the London Borough of Brent (the administering authority's) IT environment for Oracle Cloud.
Altair and Civica UPM	Pension Administration	Our IT Audit Team will review the controls in place for the new pensions Administration System;

# IT audit strategy

In addition, due to the events during the period, specifically the new system implementation additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Altair and Civica UPM	New system implementation	Post migration data completeness and accuracy; system functionality operating to design.	<ul style="list-style-type: none"><li>• Obtain an understanding of the process used for new system implementation</li><li>• Audit of data migration activity and results</li></ul>

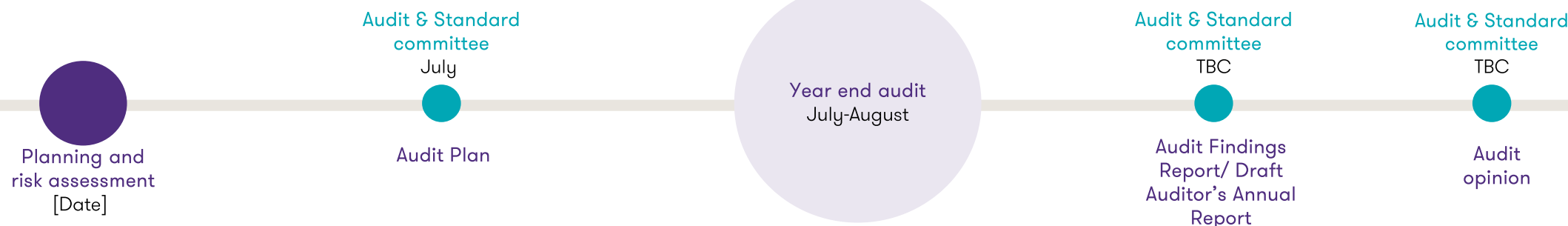


# ISA315

ISA 315 (revised July 2020) takes effect for accounting periods starting on or after the 15<sup>th</sup> 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	<p>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+).</p> <p>The auditor is required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response.</p>	<p>The audit team will be required to:</p> <ul style="list-style-type: none"> <li>perform walkthroughs of the IT environment;</li> <li>identify and review relevant controls within the IT environment to ensure they are operational;</li> <li>obtain details of the relevant IT / technical infrastructure (i.e., server location, database type); and</li> <li>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).</li> </ul>
Considering IT risks related to internal controls relevant to the audit.	<p>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.</p> <p>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.</p>	<p>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).</p> <p>There has been a significant increase in the number of detailed ITGC assessments required.</p>
Control reliance	<p>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.</p>	<p>There will be larger sample sizes across a number of areas. Key areas where we will likely see the biggest increase are:</p> <ul style="list-style-type: none"> <li>operating expenditure and payables;</li> <li>property, plant and equipment;</li> <li>non-contract income.</li> </ul> <p>This is not a complete list but these will be the areas we expect to be most affected.</p>

# Audit logistics and team



## Ciaran McLaughlin, Key Audit Partner

Ciaran is the Engagement Lead, for the Council and Pension Fund, leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior officers.



## Sheena S Phillips, Audit Manager

Sheena will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Sheena will attend Audit & Standards Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.

## Aleksandra Liutina, Audit In charge

Aleksandra will lead the audit team and is the day-to-day contact for the audit. She will monitor the deliverables, manage the audit query log with your Finance Team and highlight any significant issues and adjustments to senior management in a timely manner.

## Audited Entity responsibilities

Where audited entities 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 clients. 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
- 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 Brent Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £x. 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 £3,000. 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
Brent Pension Fund Audit	£37,808	£40,308,	£37,771
Total audit fees (excluding VAT)	£37,708	£40,308	£37,771

## Assumptions

In setting the above fees, we have assumed that the Pension Fund 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.

# Audit fees – detailed analysis

Scale fee	£22,420
Investment Valuation	£6,351
Additional audit procedures arising from a lower materiality	£6,575
Increased audit requirements of revised ISA 540	£3,500
Journals	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
ISA 315	£3,000
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£37,771</b>

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 Pension Fund.

---

# Independence and non-audit services

---

## Other services

No other services provided by Grant Thornton were 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	•	•
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		•
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.

