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.
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The Audit Findings for London Borough of Brent

Year ended 31 March 2023

Contents

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

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

[Insert Key Audit Partner Signature]

Name: Ciaran Mclaughlin
For Grant Thornton UK LLP
Date:

1. Headlines

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

Financial Statements

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

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

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

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

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

Receipt of outstanding evidence for

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

Responses to queries for the following:

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

Completion of the following areas

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

Receipt of the following

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

Subsequent event confirmation; and

Review of the final set of financial statements

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

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

1. Headlines

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

1. Headlines

National context – audit backlog

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

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

National context – level of borrowing

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

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

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

1. Headlines

National context – level of borrowing - continued

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

Local Context – Audit Liaison

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

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

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

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

Acknowledgements

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

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

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

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

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

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

2. Financial Statements

Our approach to materiality

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

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

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

2. Financial Statements: Significant risks

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

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

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

2. Financial Statements: Significant risks

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

Valuation of land and buildings
The council re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size and numbers involved (£1,097.8m) as at 31st March 2023 and the sensitivity of the estimate to key changes in assumptions.
Additionally, management needs to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work.
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	    • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the Valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	We noted that the assets were valued as at 01 April 2022 and management applied indexation to estimate the values as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.
	Our audit work on Valuation of land and building is still in progress. Our work to date has not identified any matters which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.
		Council

2. Financial Statements: Significant risks

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

Valuation of Council Dwellings
 	
The Council owns 8220 dwellings as 31 March 2023, and it is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar types.
 	
The Council performed a full revaluation of its properties in the prior year. For 2022/23, the Council engaged the Valuer (Wilks, Head and Eve) to perform a market review from 01 April 2022 to 31 March 2023. The Council used the indexes in the market review report to carry out indexation on the full council dwelling properties from 01 April 2022 to 31 March 2023. The valuation of the properties after indexation for 22/23 is £827.8m. This represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions.
 	
We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.
	We have:
	• evaluated management's processes and assumptions for the calculation of the estimate;
	• evaluated the competence, capabilities and objectivity of the valuation expert.
	• discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
	• engaged our own expert, Gerald Eve, to provide commentary on;
	    • The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • The valuation methodology and approach, resulting assumptions and any other relevant points.
	• challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.
	We noted that management applied indexation to the full Council Dwellings for the period 01 April 2022 to 31 March 2023 to estimate the value of the properties as at 31 March 2023. The indexation has been certified by the Council's valuer (Wilks, Head and Eve) in accordance with the Code of Practice and our recommendations in the prior year.
	Our audit work on Valuation of Council Dwellings is still in progress. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.
		Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of pension fund net liability The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£262m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the process and controls put in place by management to ensure that the council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • assessed the competence, capabilities, and objectivity of the actuary who carried out the council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • tested the consistency of the pension fund asset and liability and disclosure in the note to the core financial statement with the actuarial report from the actuary. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedure suggested within the report. We have noted an error where the "other experience of" amount £53.2m was not disclosed in the draft accounts, however, the total net pension fund liability was disclosed correctly. We have recorded this error under the adjusted misclassification/ disclosure error schedule at Appendix D. Our work is substantially complete subject to receiving the IAS 19 assurance letter from the pension fund auditor. We will update the Audit and Standards Committee following the completion of our work.	Council

2. Financial Statements: Significant risks

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

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2023, the net book value of infrastructure assets was £253m which is a significant multiple of materiality. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: 1.The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. 2.The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. These two risks have not been assessed as significant risks but we have assessed that there is some risk of material misstatement that requires an audit response.	We have: • reconciled the fixed asset register to the financial statements • used our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets • obtained assurance that the UEL applied to Infrastructure assets is reasonable • documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated Our work on infrastructure assets is ongoing. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards committee. We will update the Audit and Standards Committee following the completion of our work.	Council

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

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

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

2. Financial Statements: new issues and risks

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

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

2. Financial Statements: key judgements and estimates

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

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

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation – Council Houses- £827.8m	The Council owns 8,220 dwellings as at 31 March 2023 and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council conducted full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. Para 4.1.2.38 of CIPFA Code of Practice on Local Accounting 22-23 states that 'a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within intervals of no more than five years. The current value of land and buildings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers.' The Council has performed a full indexation of council dwelling properties from 01 April 2022 to 31 March 2023. The Council engaged Wilks Head & Eve to certify the indexation process used to value these properties as at 31 March 2023. The year end valuation of Council Housing was £827.8m, a net increase of £43.8m from 2021/22 (£784m). . The Code does not permit the use of indices as a means to adjust the carrying amount of asset, however the use of a professionally qualified valuer to certify the indexation within a short period (less than 5 years) is acceptable.	We have: • assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own valuer expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. • checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • checked the reasonableness of the net in the valuation of council dwellings. • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Council Dwellings is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Private Finance Initiative Assets - £94.7m	The Council has entered into three PFI projects which have generated assets to be used by the Council. These are; • A 25 year project to provide, operate and maintain a sports centre and related facilities in Wilsden with the legal title transferring to the Council at the end of the contract. • A 20 year contract for the provision and maintenance of social housing, and replacement residential facilities for people with learning disabilities. The legal title transfers to the council at the end of the contract. The council also controls the residual value of 158 units of housing stock within this contract as it has guaranteed nomination rights. • Provision and maintenance of social housing within Stonebridge. The inclusion of the block or flats within this contract was determined by a tenant's vote at the start of the contract. In 22/23, the Council has performed an indexation to estimate the value of the PFI assets using a market review report from the valuer (WHE). The Council has engaged the valuer to certify the indexation process as at 31 March 2023. The year end valuation of the Council's PFI assets recognised on the balance sheet was £94.7m, a net increase of £10m from 21/22 (£84.7m)	We have; • Assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own expert, Gerald Eve, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • Checked the consistency of estimate against the Montague Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • Checked the reasonableness of the net in the valuation of council dwellings. • Checked the adequacy of disclosure of estimate in the financial statements Our work with regards to this key estimate is still in progress, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee.	TBC

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: key judgements and estimates

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

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

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: key judgements and estimates

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

Assessment

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- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £743m	Management's policy states that grants are recognised as due to the authority when there is reasonable assurance that the authority will comply with the conditions attached to the payments, and the grants or contributions will be received. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received. The Council has acted as the principal and credited such grants, contributions and donations to the Comprehensive Income and Expenditure Statement for the following grants: • DWP - Housing Benefit • DfE/ESFA – Dedicated Schools Grant • Business Rate Relief S31 Grant • DCLG - Revenue Support Grant • DCLG - Adult Social Care Support Grant • Adult social Care Improved Better Care Fund • DCLG - Revenue Support Grant • DCLG - New Homes Bonus • Home Office - Homes for Ukraine Scheme • Council Tax Admin Grant • Sales Fees and Charges Grant • Disabled Facilities Grant	Work performed during our audit covered the following: • review of management's judgement of whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all. • check of completeness and accuracy of the underlying information used to determine whether there are conditions outstanding that would determine whether the grant be recognised as a receipt in advance or income • the Impact for grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • review of adequacy of disclosure of management's policy around recognition of grant income in the financial statements From our testing of grants, we identified that one sample with a balance of £6.1m (a service grant) has been misclassified as a ringfenced grant instead of non-ringfenced grant. This has been recorded as an adjusted error under misclassification and disclosure misstatements t Appendix D Our work on grants is substantially complete subject to review . At this stage, we have nothing to bring to the attention of the Audit and Standards Committee apart from the above issue.	Light Purple

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £743m - Continued	The Council recognised the following grants as agency transactions: • Adult Social Care Covid - 19 Infection Control Funding • Adult Social Care Support Grant • BEIS - Restart Grant • DLUHC - Council Tax Energy Bill Rebate – Mandatory • Energy Bills Support Scheme Alternative Funding • Adult Social Care Rapid Testing Fund The Authority has received a grant that have yet to be recognized as income as they have conditions attached to them that will require the monies to be returned to the giver. The balance at the year-end was £1.4m (£9.6m in 21/22)		Light purple
PFI provision - £15.8m	In 22/23 , there was an in-year difference on the Brent Co-Efficient PFI between the rent collected and the government PFI grant received, versus the unitary payments and base revenue costs. The difference amounted to £3.5m, which was released from the provision set aside for this purpose (a reduction in the provision). Additionally, there was an indication that a provision required for the end of 28/29 contract life needs to be increased by £2m and an additional drawdown of 0.2m to cover overspend on the general fund. This resulted in a net reduction of £1.7m in the PFI provision from 21/22 (£17.6m)	• The draft financial statements includes an accounting policy for provisions and PFI schemes. • The disclosure of the PFI provision within the financial statement is adequate. • Our review of the PFI provision calculation confirms that appropriate information has been used to determine the estimate and we deem the estimate to be reasonable. Our work is substantially complete subject to review.	Light purple

Assessment

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

2. Financial Statements: key judgements and estimates

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

Assessment

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- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: Information Technology

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

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

Assessment

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

2. Financial Statements: matters discussed with management

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

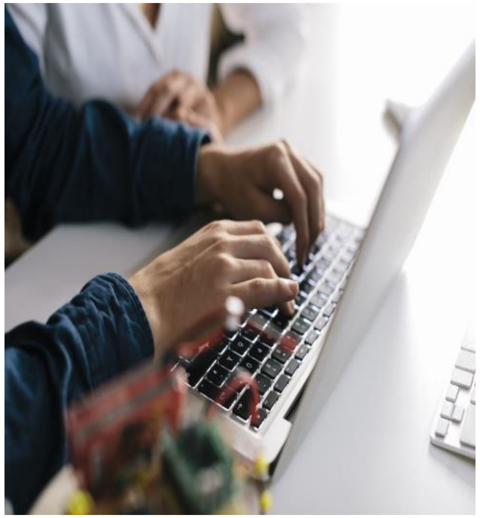
Significant matter	Commentary	Auditor view and management response
During our testing of housing benefit debtors, the Council provided us with a report as at 26th June 2023 from which they removed unrecoverable debt and debtors raised in between 1st April 2024 and 26th June 2023 to get the housing benefit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

2. Financial Statements: other communication requirements

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

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

2. Financial Statements: other communication requirements



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

2. Financial Statements: other communication requirements

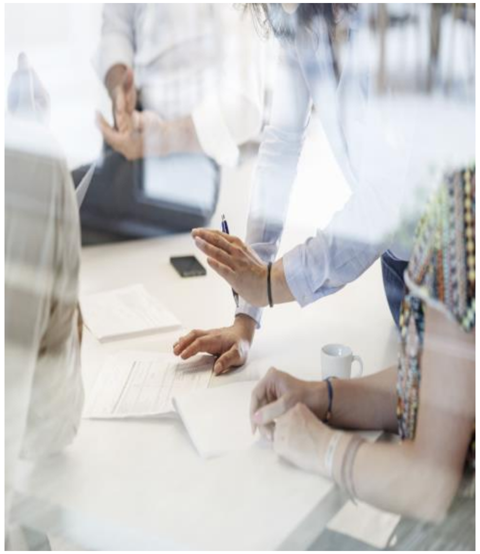
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

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



2. Financial Statements: other responsibilities under the Code

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

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

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

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

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix E.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

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

4. Independence and ethics

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

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

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

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

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

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

Financial Statement issue /Controls

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

B. Action Plan - Audit of Financial Statements

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

Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

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

Financial Statement issue /Controls

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

B. Action Plan - Audit of Financial Statements

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

Financial Statement issue /Controls

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

B. Action Plan – Audit of Financial Statements

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

Financial Statement issue /Controls

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

B. Action Plan - IT Audit Findings

Assessment	Issue and risk	Recommendations
Low	**Lack of audit logging for configurations in Oracle Cloud** IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table **Risk** Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database	It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to • Accounts Payable • Cash Management • Accounts Receivable and • General Ledger It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS **Management response** Audit logging has been reviewed across all financially critical areas and has been found to be sufficient

Financial Statement issue /Controls

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

C. Follow up of prior year recommendations

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

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

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

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

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

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

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

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

D. Audit Adjustments - continued

Misclassification and disclosure changes

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

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

D. Audit Adjustments

Impact of unadjusted misstatements

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

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

D. Audit Adjustments

Impact of prior year unadjusted misstatements

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

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

D. Audit Adjustments

Impact of prior year unadjusted misstatements - continued

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

D. Audit Adjustments

Impact of prior year unadjusted misstatements - continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Shows the correction of errors resulting from differences in the land value used in calculation, use of incorrect obsolescence rate and difference in the value of undeveloped land calculation for 3 individual asset. The errors resulted in an understatement of £309k factual error after indexation. The extrapolated error is £1.2m understatement. Dr PPE Cost Cr Revaluation Reserve		1200 (1200)			The Council did not adjust it as it was not material .
The use of 100 years in the Council's calculation of MRP for supported borrowing is not allowed by the statutory guidance. This has caused an understated MRP. Dr General Fund Cr CAA		1,485 (1,485)			The Council did not adjust it as it was not material .
Overall impact	(804)	804			

E. Fees and non-audit services

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

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

E. Fees and non-audit services

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

Audit fees	Proposed fee
I4B Holdings Ltd Audit	£40,000
First Wave Housing Ltd Audit	£37,000
Brent Pension Fund Audit	37,771
Objection to the accounts	TBC
Total audit fees (excluding VAT)	**£TBC**

E. Fees and non-audit services

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

The fees reconcile to the financial statements.

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

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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