

Brent Council

Audit progress report and sector updates

June 2024



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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 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.

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Introduction

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This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider. Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Sophia or Sheena.

Progress at June 2024

Financial statements audit

We undertook our initial planning for the 2023-24 audit in November 2023 to January 2024.

Our initial planning included:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Council makes material estimates for the financial statements
- Early work on emerging accounting and auditing issues
- Determining planning materiality and significant risks

In February 2024 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2023-24 financial statements. In finalising our planning and risk assessment procedures we have not identified any additional risks for the 2023-24 financial statements audit and the audit plan issued in February 2024 remains final.

We will commence work on the final audit of your financial statements for 2023-24 from the week commencing 24 June 2024. Our work will be reported in the Audit Findings Report, and we will aim to give our opinion on the Statement of Accounts by 30 September 2024. There are no matters to report as of the date of this report.

The deadline for publishing audited local authority accounts has been 30 September from 2022-23 onwards.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

The National Audit Office (NAO) have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2023-24 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN 03 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

The VFM planning work will commence in late June with delivery timescales to be agreed with management at the mobilisation stage.

Audit deliverables

Below are some of the audit deliverables planned for 2023-24.

2023-24 Deliverables	Planned date	Status
<p data-bbox="120 453 378 480">Council Audit Plan</p> <p data-bbox="120 499 1547 564">We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2023-24 financial statements.</p>	February 2024	Complete
<p data-bbox="120 624 533 651">Council Audit Findings Report</p> <p data-bbox="120 670 1301 699">The Council's Audit Findings Report will be reported to the Audit and Standards Committee.</p>	September 2024	Not yet due
<p data-bbox="120 727 456 754">Council Auditor's Report</p> <p data-bbox="120 774 824 802">This includes the opinion on your financial statements.</p>	September 2024	Not yet due
<p data-bbox="120 831 445 858">Auditor's Annual Report</p> <p data-bbox="120 877 1514 943">This report communicates the key outputs of the audit, including our commentary on the Council's Value for Money arrangements.</p>	September 2024	Not yet due
<p data-bbox="120 971 456 999">Pension Fund Audit Plan</p> <p data-bbox="120 1018 1547 1083">We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Pension Fund's 2023-24 financial statements.</p>	September 2024	Not yet due
<p data-bbox="120 1112 613 1139">Pension Fund Audit Findings Report</p> <p data-bbox="120 1158 1355 1187">The Pension Fund Audit Findings Report will be reported to the Audit and Standards Committee.</p>	September 2024	Not yet due

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectations is to complete all necessary work by 31/12/2024.

Audit deliverables – grants

2023-24 Audit related deliverables	Planned date	Status
Teachers Pensions Scheme		
- Certification 2021-22	June 2024	In progress
- Certification 2022-23	July 2024	In progress
- Certification 2023-24	November 2024	Not started
<p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>		
Housing Benefit Subsidy		
- Certification 2022-23	July 2024	In progress
- Certification 2023-24	December 2024	Not started
<p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>		
Pooling of housing capital receipts		
- Certification 2023-24	February 2025	Not started
<p>This is the report we submit to the Department for Levelling Up, Housing and Communities (“DLUHC”). based upon the mandated agreed upon procedures we are required to perform.</p>		

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

Sector updates

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up-to-date summary of emerging national issues and developments to support you. We show the current estimated financial trajectory of the sector, and we cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Audit backstop – update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO’s Code of Audit Practice.

Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on 4 July 2024 puts this timetable in considerable doubt. The elected Government will have to decide if it wants to implement the backstop solution and, if so, determine the timetable by which it happens. In the meantime, we will continue with the timeframe for your 2023-24 audit as outlined in the Audit Plan, aiming to complete our work by the end of September 2024.

Audit sign-offs update

As at the end of May 2024, we (Grant Thornton) have signed 136 2022-23 audits, representing 65% of our local government audited bodies. We envisage achieving a 75% sign-off rate by the end of September. This compares with a 7% sign-off rate for other firms at the end of May 2024 (18 audits). If the backstop is extended to the end of this calendar year, we envisage our completion figure to be an 80% completion rate.

We signed off 81% of our 2021-22 audits by the end of May 2024. We envisage achieving an 85% sign-off rate by the end of September 2024. Other firms signed off 48% of 2021-22 audits by the end of May 2024.

Audit year	Grant Thornton audits signed - May 2024	Forecast Grant Thornton audits to be signed - Sept 2024	Other firm audits signed
2022-23	65%	75%	7%
2021-22	81%	85%	48%
2020-21	92%	92%	81%

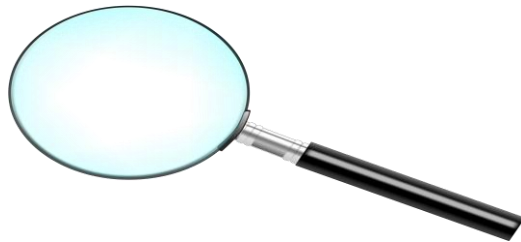
Change of external auditor – how to get the best out of new arrangements

With 2023-24 being the first year of a new five-year PSAA contract for external audit, and the year-end (31 March 2024) having just passed, many local authorities will now be starting to work closely with a new incoming external auditor. Audit delays from the past mean that for some local authorities this will be the first close experience of working with an external auditor for several years.

When it works well external audit can provide management with valuable insight and, at the same time, demonstrate to the public that there has been proper use of, and accounting for, public money. To get the best out of this year's audit many local authorities will need to take effective steps to close-down the prior year backlog whilst simultaneously ensuring a smooth transition between different external auditors.

A recent Local Government Association “Must know” guide on working with auditors may help with navigating the unique challenges that this year's audit cycle poses. The guide provides an oversight of internal and external audit functions and outlines what to expect from external audit, and when to expect it.

For the full guide, see [Must know guide: Working with auditors | Local Government Association](#).



Working well with a new external auditor

- **Understand the respective responsibilities of the Local Authority and the external auditor.**
- **Be open to early meetings between senior executives and the new external auditor.**
- **Understand that outgoing and incoming external auditors will need time to confer.**
- **Introduce the Head of Internal Audit.**
- **Facilitate introductions for the Audit Committee.**
- **Share the timetable and be clear about how timetable risk will be managed.**
- **Provide a named single point of contact and appropriate supporting resources.**
- **Provide early information around any new projects, including commercial projects.**
- **Provide appropriate access to IT systems and records.**
- **Respond promptly to requests for information.**
- **Ensure that all relevant staff affected by the external audit process understand what to expect and why it is important.**

Local government elections – what do they mean for audit committees?

With the 2 May 2024 local government elections having seen changes at many of the 107 local authorities that took part, for many local authorities it is now time to agree audit committee membership at the start of a new municipal year.

Whilst newly elected administrations will inevitably want to focus on new strategic vision and ‘fixing things’, it will be important to remember to continue to ‘defend things’ and protect the underlying mechanics of effective government as well.

The audit committee is one of the key lines of defence for a local authority. Its members oversee governance, risk management, internal and external audit, anti-fraud arrangements, financial reporting and statutory duties.

Following the local elections there may be changes to appointments to the audit committee. Experience shows that committees are more effective when: appointments are non-political; cover a range of relevant skills and experience (including financial expertise); and include at least one independent, co-opted member. Having two independent co-opted members is generally considered best practice.

Once appointed, the new audit committee will need to build relationships with internal audit, external audit, and senior management. It may also want to review its terms of reference. Training needs of new audit committee members will also need to be identified and training provide.

Annual reviews of audit committee effectiveness are common, but for the early days, new committees may wish to make use of the Local Government Association’s April 2024 ‘Ten Questions’ to make sure they start by steering on the right path.

For a full copy of the Local Government Association’s guide, see [Ten questions for audit committees](#)

Ten questions for a newly formed Audit Committee

- **How can we be an effective Audit Committee?**
- **What might we miss as an Audit Committee?**
- **How will we get assurance for ourselves and others regarding governance, risk management, internal control, and the accuracy of financial reporting?**
- **What is management doing to ensure there is an effective culture?**
- **How does management support and promote the role of audit (internal and external)?**
- **How will management provide us with practical support?**
- **What is internal audit’s role, scope, and mandate? How should internal audit be resourced?**
- **How does internal audit set its audit plan? Is internal audit providing assurance around business-critical risks?**
- **How do we know we have an effective internal audit function?**
- **How should internal and external auditors work together to complement each other?**
- **What are the 2-3 things we should be most worried about?**

LGA Improvement and Assurance Framework

On 24 May 2024 the Local Government Association (LGA) published an Improvement and Assurance Framework which is applicable to unitary, county, district and borough councils in England, and to English authorities with all types of governance system.

There has not previously been a document or framework which sets out, in one place, the various required components of local government assurance, how they all fit together, how to use them effectively and what improvement support is available to help. This framework aims to:

- support councils to understand how to use the components within the framework and how they fit together;
- increase the effectiveness of assurance in the sector. While it cannot itself prevent failures, its use may reduce the risk – and costs - of statutory or non-statutory intervention, whether by Oflog, central government or other regulators; and
- make it easier for local residents and businesses to understand how to hold their local authority to account.

The framework includes content on:

- A definition of assurance.
- How does accountability work?
- Components of the improvement and assurance framework.
- Working with auditors.
- Guidance on taking a structured and robust approach to considering commercial activity.

- Guidance for officers in key statutory roles and for key committees including the Audit Committee.
- How does the council hold itself to account?
- Key principles of good assurance and accountability.

The framework can be accessed here:

<https://www.local.gov.uk/publications/improvement-and-assurance-framework-local-government-0>



The State of the Locals

In April, shortly before the recent local government elections, a 'State of the Locals' report found that public trust in government at all levels is falling, but that public trust in local councillors and the local authorities they run is still almost twice as strong as public trust in the national UK government.

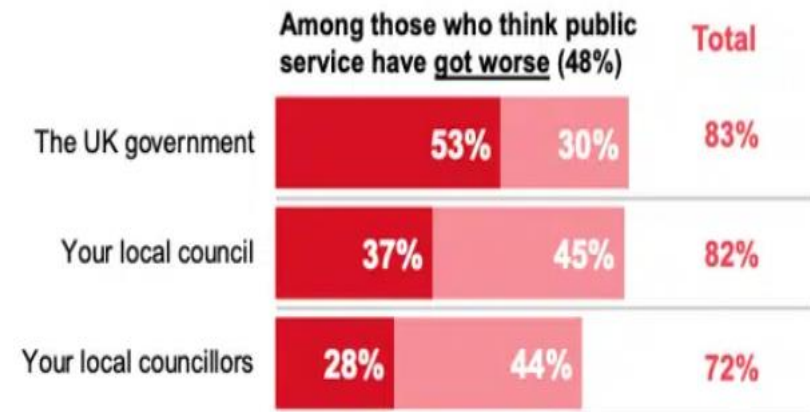
The report, published by the Local Government Information Unit (LGIU), found that the public do recognise the role that local authorities and their members play and do credit them when things go well. However, the report also found that the public believe services have got worse over the last five years overall; believe local authorities play a significant role in this (although not as great a role as national government); and do not always understand what local authorities do.

For new members joining local government for the first time and for the more experienced members starting or continuing their term, it's worth reflecting on LGIU findings. From the surveys that LGIU carried out, detailed findings show that people feel residents should be included more within decision-making processes; but there remains a low level of public awareness about what local government does.

This may be a good time to revisit communications strategies. Educating the public about the role and functions of local government, as well as the outcomes that members are actually able to achieve, might not only protect trust at its current level above national government, but also pave the way for a stronger level of trust overall in the future.

For a full copy of the LGIU report, see [The State of the Locals 2024 - LGIU](#)

State of the Locals extract: Who do the public think are responsible?



Productivity plans – new guidelines revealed and a note of caution

On 16 April 2024, Local Government Minister Simon Hoare wrote to all Local authority chief executives, asking them to formally begin compiling their productivity plans. Key things for members to be aware of are:

- There is no formal template and there are no specific metrics to report;
- Four categories are proposed for consideration. These surround: resources; technology; reducing wasteful spend; and the barriers preventing progress;
- Metrics and performance indicators are expected to be included in the plans, but local authorities can decide for themselves which ones are relevant to include;
- Plans should be three to four pages long and need to be returned to DLUHC by 19 July 2024, with members having endorsed them first; and
- For transparency, plans should then be published on the local authority's website, so that residents can see them and, over time, monitor progress.

Whilst this may feel like additional burden, there will presumably be scope for using key performance indicator metrics already available.

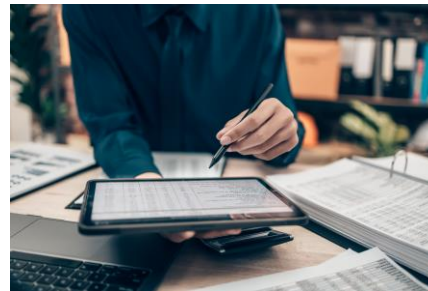
The current intention of government is not to use Productivity Plans for rating or scoring or for league tables, but rather to inform policy considerations in the future. However, most councils will remember that the Times recently used Office for Local Government data to compile and publish its own league table, so far without any redress from national government.

For Productivity Plan metrics, as for any other performance indicators, it will be important to be clear about what drives the metrics. Whether for a three-to-four-page productivity plan or for any other domain, simply obtaining data isn't enough. Understanding the data, explaining it to residents, and acting on it is ultimately what matters most.

For recent comments from the Local Government Lawyer on Simon Hoare's letter to Chief Executives and on the Times's league table see:

[Government reveals guidelines for new council 'productivity plans'](https://www.localgovernmentlawyer.co.uk/government-reveals-guidelines-for-new-council-productivity-plans/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))

[Councils cry foul after Oflog data used for Times article on 'worst-performing councils'](https://www.localgovernmentlawyer.co.uk/councils-cry-foul-after-oflog-data-used-for-times-article-on-worst-performing-councils/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))



Housing and homelessness – continuing crisis and a new reform

The Levelling-Up, Housing and Communities (LUHC) Committee published a report on the finances and sustainability of the social housing sector on 29 April 2024, arguing that the Government needs to deliver 90,000 more social homes for rent each year to alleviate the ‘continuing chronic shortage’ of social housing.

Just one day later, latest quarterly statistics on statutory homelessness and households in temporary accommodation were released. They made for sobering reading when compared with equivalent quarterly statistics from the previous year, underlining the real affect that our shortage of housing is having:

- 4.8% increase in overall initial assessments for homelessness year on year;
- 15.8% increase in households owed a relief duty this year compared to last;
- 15.3% increase in households owed a main homelessness duty;
- 12.1% increase in households in temporary accommodation; and
- 15% increase in households with children in temporary accommodation.

For short term responses to homelessness, the February 2024 announcement that the Government would top up local authority homelessness prevention grants by £109m will doubtless be helpful, as perhaps could be some certainty around the future of no-fault eviction laws. For a long-term solution, addressing the supply of housing stock itself may still the best means of addressing the root cause of homelessness issues.

A new reform came into effect on the same day that homelessness statistics were published. Since 30 April, local authorities have been empowered to buy land for development through using Compulsory Purchase Orders without paying inflated ‘hope value’ costs. ‘Hope value’ estimates the cost land could be worth if it was developed on in the future, often meaning that local authorities have been forced to pay potentially thousands more to buy the land they need for housing and/or have become entrenched in protracted disputes.

Housing and homelessness are complex areas and there is unlikely to be any quick fix solution. The new reform may help stimulate the building activity needed to address at least one part of the problem though, and in this respect is likely to be welcome.

For a full copy of the LUHC Committee report, see

[The Finances and Sustainability of the Social Housing Sector \(parliament.uk\)](https://www.parliament.uk/publications/2024/01/levelling-up-housing-and-communities-committee-report-on-the-finances-and-sustainability-of-the-social-housing-sector)

For the latest statistics on homelessness and households in temporary accommodation, see [Statutory homelessness in England: October to December 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/statutory-homelessness-in-england-october-to-december-2023)

For details of the new reform around hope values, see [New powers for councils to help build more affordable homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/new-powers-for-councils-to-help-build-more-affordable-homes)

Design for life – the smart regeneration journey to 2030

Leading think tank Localis published an analysis of local regeneration policy on 8 May 2024, making a series of recommendations to national government around how best to develop the public realm over the rest of this decade.

Localis highlighted that local regeneration projects, particularly in urban areas, are key to addressing the national housing crisis; national net zero targets; and national health aspirations.

Recommendations that the report called on national government to implement included:

- Return to strategic regional planning;
- Establish regional planning offices;
- Provide single revenue and capital budgets to local authorities instead of splitting the budgets;
- Stop loosening regulation over council asset sales;
- Mandate that local and regional development plans will include carbon assessments and promote urban sites;
- Provide long term financial settlements, to reduce fiscal uncertainty and encourage public-private partnership; and
- For health and wellbeing aspects of regeneration, base additional funding on demographic profiles.

Localis described local authorities as “the hinge around which regeneration actors revolve.” Whilst their recommendations would require changes in national policy, there are best practice questions that Local Authorities can be asking themselves now:

- Is our planning department properly financed?
- Are our regeneration goals sufficiently balanced across housing, carbon and community health needs?
- Do we have effective ongoing relationships with partners so that we can leverage short term funds quickly when they do become available?
- Can we scale up capacity for regeneration by pooling leverage with local NHS bodies, the third sector and community organisations?

For a full copy of the Localis report, see <https://www.localis.org.uk/research/design-life-smart-regeneration-journey-2030/>



Simpler Recycling – new rules

The Department for Environment, Food and Rural Affairs (DEFRA) announced on 9 May 2024 that simpler recycling rules are going to be introduced. Local authorities are likely to be required to comply by 2026. The new rules aim to simplify recycling processes and boost recycling rates, although they have met with significant criticism.

To be ready for compliance with the new rules, local authorities need to prepare for:

- Standardisation – All local authorities in England will be required to collect a consistent set of recyclable materials: plastics; glass; metals; paper and card; and food waste. The intention is to remove uncertainty and variation around the country about what can and cannot be recycled.
- A three-bin arrangement – ‘Dry recycling’ items such as cardboard and paper, tins and glass will be collected in one bin. Organic waste (food and garden) will be collected in a second bin. Residual (non-recyclable) waste will be collected in a third.
- Weekly and fortnightly requirements – Food waste collection will be required weekly. Local authorities will be required to collect residual waste on a fortnightly basis, even if at present they have already successfully transitioned to a three-weekly cycle.

Critics have pointed out that mixed dry recycling may contaminate paper and lead to less of it being recycled; whilst the move away from three-weekly residual waste collection in favour of a fortnightly residual waste collection is likely to reduce recycling overall. Nevertheless, the reform has been passed and local authorities will need to be ready. Important steps to take now are:

- Review and update your Council’s Waste Management Strategy;
- Engage with finance business partners to ensure that activity will be accurately recorded and, in turn, translated to relevant new funding claims;
- Explore whether the changes in themselves generate new income opportunities; and
- Assess the readiness of contract delivery partners.

For DEFRA’s comments on the reform, see [Simpler bin collections for England to boost recycling - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/simpler-bin-collections-for-england-to-boost-recycling)



Audit committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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