Grant Thornton

The Audit Findings (ISA260) Report for the London Borough of Brent

Year ended 31 March 2024

October 2024

Private and Confidential

Grant Thornton UK LLP
30 Finsbury Square,
London EC2A 1AG
www.grantthornton.co.uk

London Borough of Brent
Brent Civic Centre
Engineers Way
Wembley HA9 0FJ

31 October 2024

Dear Cllr Jumbo Chan

Audit Findings for London Borough of Brent for the year ending 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Sophia Brown

Director
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

Sophia Brown
Key Audit Partner
E sophia.y.brown@uk.gt.com
T 020 7728 3179

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

Asad Khan
Audit Manager
E asad.khan@uk.gt.com
T 020 7865 2051

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Brent Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Commentary on the audit process

Our audit work was done remotely during July-October 2024. There has been a concerted effort from the Council to fully engage with the audit process. We held regular meetings with your finance team. This engagement has meant that issues arising were promptly escalated. Despite strong engagement from your finance team, there have still been challenges and issues which have led to delays. Key challenges and issues we have experienced during the audit are summarised below:

- ❑ key members of your finance team left the Council before and during the audit;
- ❑ we identified several issues within Plant, Property & Equipment (PPE), payroll reports and bank reconciliations statements which have resulted additional work;
- ❑ key working papers were not of sufficient quality, leading to delays in completing our testing; and
- ❑ we have identified a large number of adjusted, unadjusted and disclosure misstatements in the draft financial statements. The level of errors in your draft financial statements is beyond what we would expect and has led to us carrying out more work than initially scoped.

Please refer to pages 27-29 for further details on the above issues.

The above issues have required us to add more resource to the audit and we have not been able to complete the audit in the original timeframe. This has resulted in additional fees needing to be charged, detail of which is included page 51 of this report.

Findings

Our findings are summarised on pages 08 to 33. We have identified four adjustments to the financial statements that have resulted in a £16.046m adjustment to the Council's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Council's useable reserves. Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is ongoing and there are no matters of which we are aware that would require modification of our audit opinion in Appendix F or material changes to the financial statements, subject to the following outstanding matters:

- follow-up queries in our testing of the valuation of land & building and HRA council dwellings;
- revised fixed asset register with updated figures;
- awaiting response from external legal counsel;
- awaiting response on the accounts consistency tool and the variances identified within;
- follow-up queries on the Council's assessment of IFRIC 14;

1. Headlines

Financial statements

Outstanding matters, continued.

- awaiting responses to queries on interest receivable, related parties and depreciation;
- awaiting responses to the remaining hot review comments;
- subsequent events confirmation;
- receipt of management representation letter; and
- review of the final set of financial statements to ensure that all agreed adjustments have been processed accurately.

All outstanding audit areas are subject to review by the engagement manager, engagement lead and engagement quality reviewer.

Due to the outstanding matters above, we have not yet concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and with the financial statements we have audited.

At this stage, our anticipated financial statements audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are 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.	Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have not been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weakness we have identified in the Council's arrangements is detailed on page 33 of this report. We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We have identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3). Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue their 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. We shared a VFM delay letter to the Audit and Standards Committee Chair in the meeting held on 25 September 2024.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit when we give our audit opinion.

Significant matters

As highlighted on pages 27 to 29 of our report, during the course of the audit both your finance team and the audit team faced audit challenges this year, such as delays in the receipt of data, especially the fixed asset register (FAR), payroll full time equivalent (FTE) reports, bank reconciliation statements (BRS). In the course of the audit, we have come across some issues relating to quality of the evidence and we have identified a significant level of errors in comparison to prior years. Whilst we recognise that several members of the finance team left the Council during 2023-24, it is crucial for management to have contingency plans in place to facilitate a smooth process for the preparation of the financial statements and the external audit. Due to challenges faced, we have had to secure additional audit resource and spend considerable time to complete the programme of work set out in the 2023-24 Audit Plan. The additional fee implications are detailed on page 51.

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament. This confirms Government's intention to introduce a backstop date for English local authority audits up to 2023-24 of 28 February 2025. We are pleased to confirm that we anticipate concluding your audit in advance of the backstop date.

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has laid a new Code before Parliament. One of the objectives of the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Auditor's Annual Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

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 poor governance behind some of these decisions are all issues which now must be considered by auditors across local authority audits.

The Council's external borrowing increased by £43.4m to £824.3m in 2023-24 compared with £780.9m in 2022-23. 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 Public Works Loan Board (PWLB) loans, Lender Option Borrower Option loan, fixed rate loans, and short-term loans with other councils. Most of the Council's long-term borrowing (£590m) is with PWLB and most of its short-term borrowing (£93.7m) is 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.

The Council sets limits, as part of its 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 are not 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.

2. Financial statements

Overview of the scope of our audit

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

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 Council's 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

Our audit of your financial statements remains in progress. This Audit Findings Report includes our interim findings. At this stage, subject to outstanding queries audit, we anticipate issuing an unqualified audit opinion. These outstanding items are summarised on pages 04 and 05.

Acknowledgements

We would like to thank everyone at the Council for their support in working with us. This has been a challenging audit year, but the effective working relationship with your finance team has enabled us to work through the issues and agree a way forward.

Despite good engagement, we did face several challenges to complete this audit in line with the original agreed timeframe. A summary of the issues is included in pages 27-29 of this report.

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 in the February Audit and Standards committee meeting.

We set out in this table our determination of materiality for London Borough of Brent Council and group.

	Group amount £	Council amount £	Qualitative factors considered
Materiality for the financial statements	16,600,000	16,100,000	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	11,620,000	11,270,000	Our performance materiality is based on a percentage of the materiality for the financial statements listed above. The threshold applied is 70% of headline materiality.
Trivial matters	830,000	805,000	This balance is set at 5% of materiality for the financial statements.
Materiality for senior officers' remuneration	20,000	20,000	We have identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures. We revised the materiality level for senior officer remuneration and termination benefits to a lower amount to reflect our view of the growing public interest in such remunerations and benefits.

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
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. We do not consider this to be a significant risk for the London Borough of Brent and such there is no specific work planned for this risk. To address this risk, we: • selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • inspected transactions which occurred in the year and ensure that they have been included in the current year. • confirmed our understanding of the business process and determine ff there are any relevant controls. **Findings** Our audit work has not identified any issues which would lead us to change our conclusion from the planning stage that the risk of fraud arising from revenue recognition can be rebutted.	Council

2. Financial statements – significant risks

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.	To address this risk, we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • 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; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Findings** Our audit work in this area is complete, subject to review. We have not identified any issues in respect of this risk at this stage.	Group and Council

2. Financial statements – significant risks

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

Valuation of other land and buildings (OLB)
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 (£1,194.3m as at 31 March 2024) 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 2024 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.
	To address the risk, we:
	• 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 wrote to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met;
	• engaged our own valuation expert, Lambert Smith Hampton, 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 fixed asset register (FAR); and
	• 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.
	Findings
	On examining the FAR and conducting audit procedures to reconcile the PPE note in the financial statements with the trial balance and the valuer's report, we found that management had not included OLB assets amounting to £18.5m in the FAR, as indicated in the valuer's report. When challenged, management explained that they were not satisfied with the valuation of those assets and therefore did not update their revalued amounts in the FAR. This work is ongoing.
	Following audit enquiries on OLB assets management identified a duplicate asset (value £26m) in the FAR. We are reviewing management's calculations and expect this could result in a prior period adjustment.
	Further to the above, we have faced significant delays in receiving data regarding the valuation of OLB assets from both the valuer and management, details can be found on page 27 of this report.
		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 8,211 dwellings as at 31 March 2024. 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 properties.
 	
The Council conducted a full revaluation of its housing stock in 2021-22 using the Beacon methodology. The valuer reviewed market changes from 1 April 2023 to 31 March 2024 to correctly state the value of HRA stock held by the Council during the financial period in current terms. The Council engaged its valuer Wilks, Head & Eve LLP (WHE) to complete the valuation of these properties.
 	
The year-end valuation of council housing was £836.6m as at 31 March 2024. 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 misstatement, and a key audit matter.
	To address the risk, we have:
	
	• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work;
	• evaluated the competence, capabilities and objectivity of the valuation expert;
	• wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.
	• engaged our own valuer expert, Lambert Smith Hampton, to provide commentary on:
	    • the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
	    • the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
	• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
	• conducted sample testing of Beacon properties to ensure representative properties were used in the valuation, with the valuations correctly applied to other similar properties;
	• reviewed the estimate against valuation trends of similar properties in London; and
	• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
	
	Findings
	
	For 2023-24 management applied indexation to the housing stock for the period 1 April 2023 to 31 March 2024 to estimate the value of the properties as at 31 March 2024. The indexation was certified by the Council's valuer WHE in accordance with the Code of Practice. Management used an index between -1% to 1%% which we have corroborated to the WHE Indexation Certificate. Our auditor expert LSH also concluded that the index of -1% to 1%% is reasonable. We reviewed all in-year additions and confirmed they were allocated to appropriate Beacons.
	
	We identified that in-year additions to council dwellings of £26.7m were not revalued at year-end. In raising this issue, management decided to revalue these assets due to their materiality. The final valuation report was provided on 27 September 2024 and necessitated significant changes to the PPE note. Management is reviewing the required adjustments.
	
	Our work in this area is ongoing.
		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 (£167.4m as at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS19 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. We have therefore concluded that there is not a significant risk of material misstatement in the IAS19 estimate due to the methods and models used in the actuary's calculation. The source data used by actuaries to produce the IAS19 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 advice given by the actuary. A small change in the key assumptions can have a significant impact on the estimated IAS19 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 the actuary's calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	To address this risk, we: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report. **Findings** During the audit process we received updated guidance related to IAS 19 and IFRIC 14. There is a requirement to recognise an additional liability in cases where agreed past service contributions could potentially lead to a future surplus that would not be available after being paid (e.g., in the form of a refund or reduction in future contributions). This means that an additional liability may need to be recorded even in situations where there is an IAS 19 deficit at the year-end. In response to this, we reviewed the accounting treatment and requested management obtain an IFRIC 14 assessment from their actuary. The actuary advised management of an additional liability of £75m at 31 March 2024. Due to the material change a prior period adjustment is required, we therefore requested management to obtain IFRIC 14 assessments for the prior years as of 31 March 2022 and 31 March 2023. Apart from this issue, our audit work in this area is complete, pending review. At this stage, we have not identified any other issues related to this risk.	Council

2. Financial statements – other risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Fraud in expenditure recognition (completeness of non-pay expenditure) As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to that budgeted by under-accruing non-pay expense incurred during the period or not record expenses accurately to improve financial results. In line with the Public Audit Forum Practice Note 10, having considered the risk in relation to fraud in expenditure recognition and the nature of the Council's expenditure streams, we determine that the risk of fraud arising from expenditure can be rebutted because: • There is little incentive to manipulate expenditure recognition. • Opportunities to manipulate expenditure are very limited. • The culture and ethical framework of local authorities, including the London Borough of Brent, mean that all forms of fraud are seen as unacceptable. However, we have identified that due to the level of estimation involved in manual accruals of expenditure, and the potential volume of large accruals at year-end, there is an increased risk of error in the completeness of expenditure recognition.	To address the risk, we: • inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period; • inspected a sample of accruals made at year-end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year-end. We also compared size and nature of accruals at year-end to the prior year to help ensure completeness of accrued items; and • investigated manual journals posted as part of the year-end accounts preparation that reduce expenditure, to assess whether there is appropriate supporting evidence for the transaction. **Findings** Our audit work in this area is complete, subject to review. We have not identified any issues in respect of this risk at this stage.	Council

2. Financial statements – key findings arising from group audit

Group structure and risk	Commentary
The Council has prepared group financial statements that consolidate the financial information of: • London Borough of Brent • First Waves Limited • I4B Holdings Limited • LGA Digital Services Limited • Barham Park Trust The London Borough of Brent is the parent entity. None of the subsidiaries are individually material or significant to the group. We have carried out analytical procedures using the group materiality of £16.6m The only significant risk which is relevant to the group is management override of controls, refer to page **11**. All other significant risks identified relate to only the London Borough of Brent, the parent entity. The component auditors are Grant Thornton UK LLP. We have not relied on the work of the component auditor as none of the subsidiaries are individually significant or material.	To address the risk, we: • obtained, documented and enhanced our understanding of the group, its components, and their control environments. • obtained and documented an understanding of the consolidation process, including group-wide controls. • audited the consolidated accounts by agreeing the financial information of each of the subsidiaries and the parent entity in the consolidation schedules to the individual entity financial statements or supporting entity records and testing the mathematical accuracy of the consolidating schedule. • checked that material consolidation adjustments in the consolidation schedule are appropriate. • performed analytical procedures at the group-level to check if there are any unusual or unexpected relationships indicating a previously unrecognised risk of material misstatement of the group financial statements. **Findings** Our work in this area is in progress.

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 – £1,194.3m	Other land and buildings (OLB) 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 at year-end. The Council engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 1 April 2023 on a five-yearly cyclical basis. 68% of total assets were revalued during 2023-24. The assets not revalued in-year were indexed from their last valuation date to 31 March 2024. Management has not documented consideration of alternative 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 of the Council's OLB assets. Management considered the year-end value of the revalued properties and the potential valuation change in the assets revalued at 1 April 2023. This is based on the market review provided by the valuer as at 31 March 2024, to determine whether there has been a change in the total value of these properties. Management's assessment of assets revalued has identified no material change to the property values. The total year-end valuation of land and buildings was £1,194.3m, a net increase of £96.4m from 2022-23 (£1,097.8m).	WHE carried out a formal revaluation of OLB assets, based on the cyclical revaluation programme, as at 1 April 2023. The Council engaged its valuer to certify its indexation assessment of OLB assets to 31 March 2024. We have assessed the Council's 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, Lambert Smith Hampton, to provide commentary on the instruction process for WHE, the valuation methodology and approach, and the resulting assumptions and any other relevant points; • checking the reasonableness of the net increase in the valuation of land and buildings; and • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. **Findings** Our work in this area is ongoing.	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
Council dwelling valuation - £836.6m	The Council owns 8,221 dwellings as at 31 March 2024 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 2023-24 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 council dwellings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers.' The Council's valuer, Wilks, Head & Eve LLP (WHE), reviewed market changes from 1 April 2023 to 31 March 2024 to correctly state the value of HRA stock held by the Council during the financial period in current terms. The year-end valuation of Council Housing was £836.6m, a net increase of £9.5m from 2022-23 (£827.1m). 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, Lambert Smith Hampton, 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 Montagu Evans report 'Local Authority Benchmarking Report' dated 15 August 2023. • conducted sample testing of Beacon properties to ensure representative properties were used in the valuation, with the valuations correctly applied to other similar properties; • checked the reasonableness of the net movement in the valuation of council dwellings. • checked the adequacy of disclosure of estimate in the financial statements. **Findings** Management did not revalue £26.7m of council dwellings in-year. The final valuation report necessitated significant changes to the PPE note, refer to Appendix D. Our work in this area is ongoing.	TBC

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Valuation of Private Finance Initiative (PFI) assets - £95.7m	The Council 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 of flats within this contract was determined by a tenants' vote at the start of the contract. In 2023-24, the Council engaged its valuer to conduct a market review report of the expected change in valuation of its PFI assets as at 31 March 2024. The market review report indexation expectation was certified by valuer WHE and used to revalue the PFI assets to 31 March 2024.. The year-end valuation of the Council's PFI assets recognised on the balance sheet was £95.7m, a net increase of £1m from 2022-23 (£94.7m).	We have: • assessed the Council's valuer, WHE, to be competent, capable and objective. • engaged our own expert, Lambert Smith Hampton, 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 reasonableness of the net in the valuation of PFI assets. • checked the adequacy of disclosure of estimate in the financial statements. **Findings** Our work in this area is ongoing.	TBC

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Net pension liability – £167m	The Council's net pension liability at 31 March 2024 is £167m (PY £262m,) 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 the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There was a £89m net actuarial gain during 2023-24.	We have: • assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective. • performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2022-23 roll forward calculation carried out by the actuary and have no issues to raise. • 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:	TBC

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.80%	4.80%	●
Pension increase rate	2.80%	2.80%	●
Salary growth	3.10%	3.10%	●
Life expectancy – Males currently aged 45/65	Pensioners: 21.9 years Future pensioners: 22.9 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. PwC believes these are reasonable and robust approaches for IAS 19 reporting which give a reasonable best estimate of current mortality rates.	●
Life expectancy – Females currently aged 45/65	Pensioners: 24.5 years Future pensioners: 25.8 years With a long term rate of improvement of 1.5% pa		●

Assessment

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

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Net pension liability – £167m		• checked the completeness and accuracy of the underlying information used to determine the net pension liability. • confirmed there were no changes to valuation method. • confirmed the reasonableness of the Council's share of LPS pension assets. • checked the reasonableness of the increase in the net pension liability. • we have checked the adequacy of disclosure of the net pension liabilities in the financial statements. Findings During the audit process we received updated guidance related to IAS 19 and IFRIC 14. There is a requirement to recognise an additional liability in cases where agreed past service contributions could potentially lead to a future surplus that would not be available after being paid (e.g., in the form of a refund or reduction in future contributions). This means that an additional liability may need to be recorded even in situations where there is an IAS 19 deficit at the year-end. In response to this, we reviewed the accounting treatment and requested management obtain an IFRIC 14 assessment from their actuary. The actuary advised management of an additional liability of £75m at 31 March 2024. Due to the material change a prior period adjustment is required, we therefore requested management to obtain IFRIC 14 assessments for the prior years as of 31 March 2022 and 31 March 2023. The full prior year impact is yet to be determined. Apart from this issue, our audit work in this area is complete, pending review. At this stage, we have not identified any other issues related to this risk.	

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Grant income recognition and presentation - £388.3m	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; Adult Social Care Support Grant; Revenue Support Grant; New Homes Bonus • Adult Social Care – Improved Better Care Fund • Home Office – Homes for Ukraine Scheme • Council Tax Admin Grant • Sales Fees and Charges Grant • Disabled Facilities Grant The Council recognised the following grants as agency transactions: • Adult Social Care – Support Grant; Covid - 19 Infection Control Funding • BEIS – Restart Grant • DLUHC – Council Tax Energy Bill Rebate • Energy Bills Support Scheme Alternative Funding • Adult Social Care Rapid Testing Fund	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 Council 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 determines how 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. **Findings** Our work on grant income is substantially complete, subject to review. We have not identified any issues in respect of area at this stage.	TBC

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
PFI provision - £24.8m	The carrying amount of the Council's PFI liabilities at 31 March 2024 is £24.8m. The carrying amount of the associated lease liabilities as 31 March 2024 is £7.6m. The discount rate used for the fair values of finance lease assets and liabilities and PFI scheme liabilities is calculated by discounting the contractual cash flows at the market rate of borrowing with similar remaining terms to maturity on 31 March 2024 for the PFI agreements and the long-term inflation forecast for our lease agreements. In 2023-24 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. This difference amounted to £3.9m, which was released from the provision set aside for this purpose (a reduction in the provision). Furthermore, there was an indication that the provision required for the end of 28/29 contract life needed to be increased by £6.1m.	• 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. Findings Our work in this area is in progress.	TBC
Minimum revenue provision (MRP) - £18.1m	The Council is responsible, on an annual basis, for determining the amount charged for the repayment of debt known as its MRP. The basis for the charge is set out in regulations and statutory guidance. The Council's year-end MRP charge was £18.1m, a net decrease of £4.6m from 2022-23.	Whilst we are satisfied that the Council has approved its MRP Policy through appropriate governance structure, the Council will need to ensure that the MRP continues to be adequate in the context of increased borrowing. We have carried out the following work: • confirmed MRP has been calculated in line with the statutory guidance; • confirmed the Council's policy on MRP complies with statutory guidance; and • 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. Findings Our work in this area is under review.	TBC

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.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Change management	Batch scheduling	
Oracle Fusion*	Roll-forward ITGC assessment	Red	Red	Green	Green	Management override of control
Asset Management	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	Valuation of other land and buildings Valuation of council dwellings
PAY 360	ITGC assessment (design and implementation effectiveness only)	Green	Green	Green	Green	Does not relate to a significant risk. It relates to cash.

*The significant deficiencies identified in our ITGC assessment have been carried forward from the prior year and resolved during the year. Please see control number 10 and 11 in appendix C (page 44) for our follow-up on prior year recommendations.

Assessment

- Red – Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Orange – Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- Green – IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Grey – 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
Business conditions affecting the group or Council, and business plans and strategies that may affect the risks of material misstatement.	We have not identified any other such matters.
Concerns about management's consultations with other accountants on accounting or auditing matters.	From our work during the audit of the financial statements, and from discussions with management and those charged with governance, we are not aware that the Council has consulted with any other accountants.
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services.	We have not identified any other such matters.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.	We have not identified any other such matters.
Prior year adjustments identified.	Pensions liability – As outlined on page 20 of this report, amendments have been made to the pension liability disclosed, recognising additional liability where agreed past service contributions could potentially lead to a future surplus that would not be available after being paid. The actuary advised management of an additional liability of £75m at 31 March 2024. Due to the material change a prior period adjustment is required, we therefore requested management to obtain IFRIC 14 assessments for the prior years as of 31 March 2022 and 31 March 2023. The full prior year impact is yet to be determined. PPE – Following audit enquiries on OLB assets management identified a duplicate asset (value £26m) in the FAR. We are reviewing management's calculations and expect this could result in a prior period adjustment, refer to page 12 of the report.
Other matters that are significant to the oversight of the financial reporting process.	We have not identified any other such matters.

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	We have requested a letter of representation from management. A copy is included in the Audit and Standards Advisory Committee papers.
Audit evidence and explanations	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 sent letters to those solicitors who worked with the group during the year. We have received responses with significant delays. We have received a challenge from the solicitors that they will only respond about specific contingent liabilities. We await response from all of the solicitors.
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 were provided. We acknowledge that the finance team worked hard and helped us along the way. We held weekly meetings with the finance team. Despite good engagement, we did face several challenges to complete this audit in line with the original timeframe agreed with management. Below is a summary of the issues faced: **Property, plant and equipment (PPE)** We experienced delays in receiving the PPE information. Although the valuer's reports for buildings and council dwellings was received on schedule, the detailed fixed asset register (FAR) was provided later on 11 July 2024. The FAR provided for audit did not align with the valuer's reports for land & buildings and council dwellings. Our audit procedures to reconcile the PPE note with the trial balance and the valuer's reports found that other land and building (OLB) assets of £18.27m were excluded from the FAR. When challenged, management explained that they were not satisfied with the valuation of those assets and therefore did not update their revalued amounts in the FAR. Consequently, these assets were depreciated a net book value basis rather than the revalued amounts. We also identified that council dwellings of £26.7m were not revalued. In raising this issue, management decided to revalue these assets due to their materiality. The final valuation report was provided on 27 September 2024 and necessitated significant changes to the PPE note As a result of these issues, testing of the material PPE balances was significantly delayed, with substantial time spent investigating the differences at the outset – we held several meetings with management to resolve the issues. Furthermore, we found errors in the PPE note regarding PPE transfers, additions, and revaluations leading to multiple iterations of the disclosure, each requiring auditor review. We also identified material issues in the assets under construction balance, which led to increased audit testing. We obtained the impairment report from management on 3 October 2024 and conducted our testing of the related accounting procedures for revaluation reserves and the CIES. Following completion of our work, management pointed out that an incomplete report had been provided to us, and the audit work had to be redone. *Continued overleaf*

2. Financial statements – other communication requirements

Issue	Commentary
Audit evidence and explanations/ significant difficulties	Another problem identified in the PPE note pertained to in-year disposals. The net book value of disposed assets was insignificant at £2.9m, however the gain on disposals disclosed was £22m. We deemed this to be highly unusual and of considerable materiality. We engaged in numerous meetings with management to understand the basis of the gain. Initially management provided several incorrect listings to support the gain. Upon further challenge it was discovered that management had not written off the net book value of two leased assets, Neville House & Peel Phase 4, resulting in the sale proceeds being recognised in full, instead of the actual gain on disposal. This caused an overstatement of £10.5m in the financial statements, refer to page 45 of this report for detail. We held multiple meetings with management to resolve the issue. The PPE issues described resulted in increased time spent testing and resolving the problems. We have had to allocate additional time for team members to complete the PPE work. We have also raised a control point on the same matter, detailed on Appendix B of this report. These additional efforts have led to an increase in the fee, as outlined on page 50 of this report. **Bank reconciliation statements (BRS)** One of our audit procedures for cash and cash equivalents is to understand and test the bank reconciliation statements to identify and test any reconciling items. We observed discrepancies between the Council's bank statements and the general ledger. We noted that the general ledger balance for the bank accounts did not match the general ledger bank balance in the BRS. This was brought to management's attention at the start of the audit. It took a significant amount of time for management to respond to our queries regarding the BRS. Management asserted that the reports had been prepared/extracted on an incorrect date, leading to an incorrect general ledger balance in the BRS. We received a revised BRS where the BRS general ledger balance was changed to match the trial balance without updating reconciling differences. This prompted further queries from audit as the reconciling differences were significant and lacked supporting evidence. After several meetings with management, it was determined that the BRS was not accurate but deemed acceptable as were able to test the material reconciling items. We have raised a control point regarding the need for management to prepare accurate BRS and review the reconciling items, as detailed on Appendix B. This additional audit work has resulted in an increased fee, as outlined on pages 50. **Payroll – change in circumstances (CiC) testing** To conduct our planned substantive analytical procedures for employee benefit expenditure, we rely on the Council's full time equivalent (FTE) reports by carrying out testing of new joiners, leavers, and FTE changes in circumstance throughout the year – this gives us assurance that the FTE reports are accurate. In our CiC testing we discovered an incorrect FTE number in one of the samples. After several discussions with management, we found that the report provided to audit was inaccurate with incorrect parameters used. Management subsequently provided a revised report with the correct parameters, and the audit work was reperformed. We subsequently identified a new and confirmed error in our testing and had to extend our testing selecting an additional sample of FTE CiCs. We engaged in extensive back-and-forth communication with management and the payroll team, as we initially were not provided with sufficient or adequate evidence to complete our work. No further errors were identified by the audit team, leading us to conclude that we could rely on the FTE reports for our analytical procedures. This issue resulted in a significant amount of time being spent on the payroll CiC testing, delaying our other payroll procedures. Due to the additional time expended, we have proposed an increased fee, as detailed on page 50.

2. Financial statements – other communication requirements

Issue	Commentary
Audit evidence and explanations/ significant difficulties	**Quality of the financial statements and supporting evidence** The draft financial statements included numerous disclosure errors, outlined in Appendix D. A technical review of the draft financial statements was carried out by Grant Thornton which resulted in over forty areas of concern regarding the preparation of the financial statements. The primary areas of deficiency were the movement in reserve statements for the Council and group, the cash flow statement, and disclosure notes. Due to the magnitude of the identified issues, management took time to address the issues raised, and the audit team needed to allocate time to review proposed adjustments. During the audit we encountered delays in acquiring adequate and relevant audit evidence in some areas, such as payroll change in circumstances evidences, correct version of fixed asset register, and the adequacy of supporting evidence for journals income and expenditure completeness. **Other areas** We encountered various other challenges throughout the audit. Notable areas of difficulty included: • Delays in our operating expenditure and completeness testing due to late provision of transaction listings and inadequate supporting evidence. Our completeness testing for expenditure commenced in July 2024 and was not concluded until October 2024 as we engaged in extensive back-and-forth discussions with management regarding the quality of the evidence. • We were held up in our testing of grants in advance due to discrepancies between the workpaper provided and the statement of accounts. The differences needed to be resolved before we commenced testing. • Late provision of creditors and debtors' listings; and • The Movement in Reserves Statement checker tool was inaccurately prepared by management. Our questioning prompted management to prepare a revised version, which still contained inaccuracies, necessitating explanations from management regarding the discrepancies. We communicated with management that we expected our audit fieldwork to substantially complete by the middle of September 2024. However, due to the challenges encountered and the issues identified we required additional audit resources to finalise the audit. Consequently, this has led to the need for additional audit fees, as set out in Appendix E.

2. Financial statements – other communication requirements

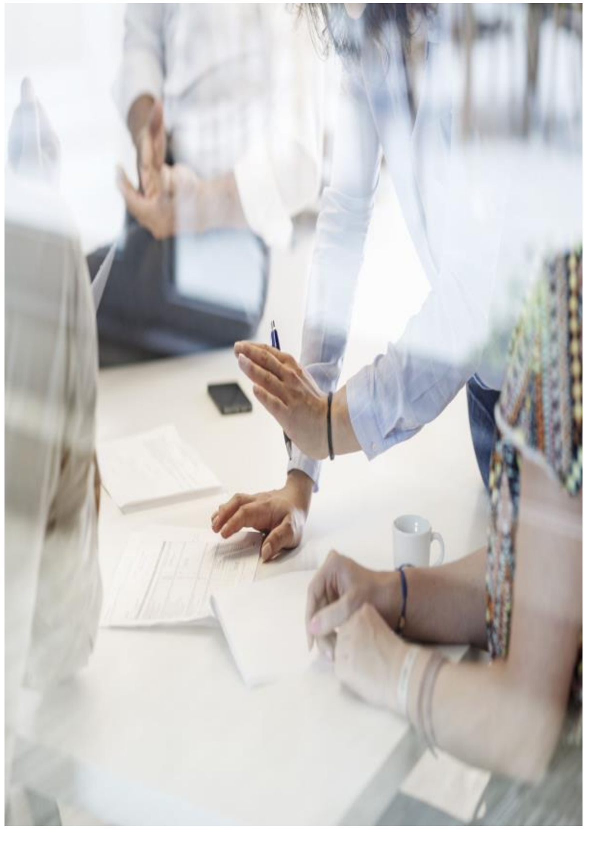
Our responsibility

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; and • 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; and • 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; and • 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
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 detailed work is not required as the Council does not exceed the threshold.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund financial statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work on this is still in progress.
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; or • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have identified a risk of significant weakness in the Council's arrangements in relation to financial sustainability. Please refer to page 34 for detail.
Certification of the closure of the audit	We do not intend to delay the certification of the closure of the 2023-24 audit of the London Borough of Brent.



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.

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by the Financial Reporting Advisory Board, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	The Council did not opt to adopt IFRS 16 early and will implement for the 2024-25. financial year. As at 31 March 2024, the Council had not made an assessment of the estimated impact of IFRS 16 on the 2024-25 accounts. They are in the process of identifying those leases where the Council is acting as lessee that will be accounted for under IFRS 16 and are also considering their approach to applying recognition exemptions on short-term and low value leases. As they are still ensuring the completeness of their records and lease document, they are unable to reasonably estimate the impact of IFRS 16. The Council is confident that it has adequate solutions in place to meet the Code requirements in terms of IFRS 16 adoption in 2024-25 accounts.	We are of view that the Council met the requirements of the Code in terms of the required minimum disclosures for IFRS 16 in the 2023-24 accounts. Whilst the Council is confident that appropriate plans are in place relating to IFRS 16 adoption in 2024-25, we recommend that the Council ensure preparations are progressed as early as possible to meet the requirements of CIPFA Code for accounts preparation.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023-24

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM – our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this Audit Findings Report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weakness we identified is detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix F.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Financial sustainability – use of reserves The use of £13.5m of reserves to balance the revenue budget in 2023-24, ongoing financial pressures (particularly in regard to homelessness), forecast overspend of £16m in 2024-25, further forecast budget gaps of £16m in 2025-26 and £7m in each FY of 2026-27 and 2027-28, and the Future Funding Risk Reserve balance being only £10m at July 2024 represents a risk of significant weakness in financial sustainability.	Review of finance reports in 2023-24 and 2024-25 indicates that the Council is drawing heavily on reserves to manage unplanned expenditure. This is not sustainable.	Significant weakness raised in respect of ensuring the Council does not continue its use of reserves to meet unplanned expenditure.	**Key recommendation** To avoid financial crisis and the risk of issuing a Section 114 notice or request Exceptional Financial Support, the Council needs to urgently take the difficult decisions needed to ensure that a realistic budget can be set for 2025-26 and that this can be delivered without the need to further draw on reserves.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

- 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.

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 October 2024, 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			
Housing Benefits Assurance Process	£32,400 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 £32,400 in comparison to the total fee for the audit of £515k 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 is complete, 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	£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 £515k 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 is complete, 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

Service	Fees £	Threats identified	Safeguards
Audit-related			
Certification of Pooling of Housing Capital receipts return	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 £515k 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 is complete, 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.

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 Council 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.

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.	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
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 three recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024-25 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
Medium	1. FTE changes in circumstances (CiC) In the prior year, in our CiC testing we identified one case which was a valid change but missed the appropriate approval. We raised a management action point (control weakness) which can be found on page 43 of this report. Similarly, in the current year we tested 12 samples of FTE CiCs. We identified an incorrect FTE number in one of the samples. After several discussions with management, we found the report provided to audit team was inaccurate, with incorrect parameters used. Management subsequently provided a revised report with the correct parameters, and our testing was re-performed where we identified a new error. As a result, we needed to extend our testing, selecting an additional 14 samples. We found no errors in the additional sample, leading us to conclude that we could rely on FTE reports for our payroll substantive analytical procedures. Refer to page 27 of this report for further detail. Risk – If proper protocols are not followed and the HR system is not updated in a timely manner, the FTE report may be inaccurate resulting in incorrect employee benefits paid and incorrect records maintained.	Management should review FTE reports to ensure that the FTE CiCs are updated a timely and accurate manner. Management response We will update the report, and sample test it to verify that it works as intended.

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	**2. Property, plant and equipment (PPE)** On examining the FAR and conducting audit procedures to reconcile the PPE note in the financial statements with the trial balance and the valuer's report, we found that management had not included OLB assets amounting to £18.5m in the FAR, as indicated in the valuer's report. When challenged, management explained that they were not satisfied with the valuation of those assets and therefore did not update their revalued amounts in the FAR refer to page 12 for detail. We also identified that council dwellings of £26.7m were not revalued in-year. In raising this issue, management decided to revalue these assets due to their materiality. The FAR and PPE note were updated on receipt of the final valuation report and necessitated significant changes to the PPE note, refer to page 27 for detail. Furthermore, we found errors in the PPE note regarding PPE transfers, additions, and revaluations leading to multiple iterations of the disclosure. We also identified material issues in the assets under construction balance. Refer to Appendix D for detail of adjustments made in these areas. We have also reported errors in relation to the disclosed gain on disposal, with an overstatement of £10.5m in the financial statements, refer to page 45 of this report for detail. Risk – Incorrect PPE valuations and errors within PPE transfers, additions, disposals and assets under construction can result in material inaccuracies within the PPE note and Balance Sheet.	A detailed reconciliation, by asset category, must be performed on a regular (monthly or quarterly) basis between the FAR and general ledger, with a full reconciliation of both at year-end to the valuer's reports. This will ensure any discrepancies or inconsistencies between the FAR, ledger and valuer reports are identified and resolved in a timely manner. **Management response** We are working with the council's Geographic Information System experts to utilise the Unique Property Reference Number (UPRN) and Unique Building Reference Number (UBRN), which are part of a national scheme supported by Ordinance Survey to give properties unique references, to ensure that all our properties have the Asset manager have the correct UPRN to reduce the risk of duplicate assets. It is planned to reconcile the Asset register with the official list of UPRNs. We are also developing a policy for the key staff who feed information into the valuation to improve the quality of information they supply for the valuation. It is anticipated that these key staff will need to review the information they provide us every quarter, to ensure that this is up to date and readily available at year end. This will include recording UPRNs and UBRNs for capital expenditure.
	3. Bank reconciliation statements (BRS) We observed discrepancies between the Council's bank statements and the general ledger. We noted that the general ledger balance for the bank accounts did not match the general ledger bank balance in the BRS. Risk – If the BRS is not correctly prepared it may lead to material issues and unexplained reconciling items.	The preparation basis of the BRS should be reviewed in detail with monthly reconciliations to investigate any reconciling items. **Management response** We are putting in additional controls in Oracle to reduce to the risk of items being incorrectly coded to Cash and Cash Equivalents. For the 2024-25, one team will be responsible for ensuring that all cash and cash equivalents have been reconciled.

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 London Borough of Brent Council's 2022-23 financial statements audit, which resulted in 13 recommendations being reported in our 2022-23 Audit Findings Report. We have followed up the implementation of our recommendations and note 09 are in progress to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue-management response
✓	1. Year-end housing benefit (HB) debtors In our testing of HB debtors, we were provided with a report as at 26 June 2023, from which unrecoverable debt and debtors raised between 1 April 2022 and 26 June 2023 were removed to reconcile to the HB debtor balance at 31 March 2023. The Council struggled to provide us with the report as it needed to rely on a third party to get the information. We also identified 1 error from the 6 samples tested which brought the reliability of the report into question. We did not encounter this issue in the current year. Risk – There is a risk that inaccurate reports may lead to material misstatements on the financial statements.	The Housing Benefit Overpayments team engaged the third-party provider, NEC, to carry out a health check of the system. Following this health check, the team have set up a schedule for running the required reports on a monthly basis. As such the balance at 31 March 2024 was based on the reports run at the same date. At this date it remained necessary to separately remove the 'unrecoverable debts' from the debtor balance, which are obtained from a separate system report at that date. Work is ongoing between the Housing Benefit Overpayments team and the Finance team to write off any debts that are unrecoverable and align the debtor balance with the balance on the NEC reports.
✓	2. Journal users We identified that a significant number and value of journals are processed by a relatively high number of users (60 users) during the year. Risk – This represents an enhanced risk of error and fraud. It also indicates inefficiency in the Council's processes around processing financial transactions.	A review of the de minimus value has been undertaken through the year and agreed at £10k to help reduce the quantum of journals produced across teams. A journal sample exercise was undertaken during February to review the quality of working papers and revised expectations of journal workings has been established. To ensure business continuity the number of users who have access to process journals has been retained.
✓	3. Council tax direct debit journals We observed download of the general ledger monthly transactions as part of our journal testing. The number of journals raised in November was considerably larger than the other months. This caused a number of issues with the journal listing not being exported correctly and required support from our digital audit team. The reason for this was caused by the fact that council tax direct debit journals for April to October 2023 were all created in November 2023. We have understood from the Council that this was a one-time experiment which will not be repeated.	Although the number of journals raised in November 2022 was considerably larger than the other months in the period due to a number of factors, since then throughout 2023-24 the number of journals has remained consistent across all months, and we will continue to look to ensure that all journals are processed in each period that they relate to.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	4. Accruals We identified 3 errors in our initial accruals testing. We extended our testing and identified 2 more errors. The associated extrapolated error of £1.29m wase derived from the total sample error of £0.256m and recorded as an unadjusted error for 2022-23. The 5 erroneous accruals were processed by different individuals. Risk – We were satisfied that the 2022-23 accruals balance was not materially misstated, but the Council needs to ensure that accruals are based on the best available and reliable information to avoid a material misstatement in the future.	Targeted work was conducted with the teams working with Wates prior to financial year-end to ensure expenditure was reported in the correct period. Third party evidence was also obtained to validate this. More widely, capital project managers have received additional support throughout the year-end to set out the requirements of reporting expenditure in the correct period.
X	5. Accuracy of fixed asset register (FAR) The FAR 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. In testing a sample of 5 assets, the Council could not locate 4 assets. The 5th asset was located but it had no value in the FAR. The assets have no net carry forward value and do not impact the PPE balance included in the Balance Sheet, however the gross book value of these assets is overstated. A control recommendation was raised.	We are part way through a comprehensive review of Asset manager, and prioritised higher value assets in 2023-24 that needed re-valuation, we are currently reviewing zero NBV assets.
X	6. Intangible assets (ITAs) – useful lives We identified that some ITAs within the FAR have useful economic lives (UEL) of 0, 10 or 50 years, however the Council's accounting policy on the amortisation of ITAs, sets out the UEL of ITAs to be within the range of 5-7 years. We challenged management and it was accepted that the UEL of 0 is incorrectly recorded. The UEL of 10 years relates to software and the UEL of 50 years relates to a PFI asset, both are within the UEL expected range for the types of asset. Risk – The inconsistency between the ITA UELs in the FAR and the accounting policy results in 52% of ITAs in the FAR being out of range with ITA accounting policy UELs. We estimate that the difference in the UEL resulted in a £1.2m variance between the expected and actual ITA amortisation cost for 2022-23 – this is not significant and for the purposes of analytical review the variance is acceptable, however if management do not update the FAR data and clarify the accounting policy, this could result in a material difference in future.	We are part way through a comprehensive review of Asset manager, and prioritised higher value assets in 2023-24 that needed re-valuation, we are currently reviewing this.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**7. PFI model** We identified that the PFI unitary payments, split into payments for finance and operating, were incorrectly recorded on the PFI model, even though the actual unitary payments in the accounts is correct for 2022-23 as it is based on the actual accommodation rates. We also identified during PFI provisions testing that the long-term provision in the PFI model did not agree with the long-term PFI provisions in the accounts. We gained assurance over the correct closing balance figure and the draft accounts and trial balance are correct, it is the PFI model and working paper that is not correct, and there is no impact on the accounts. Management confirmed that the correct opening balance figure will be used for the 2023-24 model. We have spoken internally to the GT PFI modelling team who confirmed that this is a closing balance adjustment and therefore no further work is needed. We have raised a control deficiency that the PFI modelling team and provisions team must confirm their figures with each other before they complete the PFI model.	The review of the financial models was completed promptly and involved assessment by both the Capital and Revenue team, to ensure this was updated on a timely basis. This was carried out during the year but also as part of the closure of the accounts.
✓	**8. Misclassification of finance leases** We identified that some finance leases were misclassified as operating leases. We also identified leases which were duplicated in both the operating lease and finance lease listings. Risk – If the listings for operating and finance lease are not updated the incorrect information will feed into the accounts which can lead to errors in the leases note.	A unique identifier was attributed to each lease on the database as well as consolidation across both the operational and finance leases to avoid duplication.
✓	**9. FTE changes in circumstances (CiC) testing** In a sample of 12 FTE CiC cases tested, we identified one case which was a valid CiC however it was missing the appropriate approval. Risk – If the approval process for CiC is not followed this can result in unapproved changes of employees' circumstances on the system.	Oracle system approval workflow in place for any change in circumstances that are initiated by line managers. This is routed to the relevant Head of Service (or above) and then through to Payroll to check and implement. In these situations, notifications to employees are routed to the employee and personnel filing to save on record and audit history is available on the employee assignment screen.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**10. Segregation of duties (SoD) conflicts between finance/payroll and system administration roles in Oracle Cloud** IT audit identified that a Senior Finance Analyst had access to the Application Implementation Consultant role. **11. Excessive access assigned to HR and payroll system users** IT audit identified 19 members of the Payroll, Learning and Development, and Training teams 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. **12. 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.	10 - The Application Implementation Administrator role has been removed from the 2 accounts mentioned, leaving the IT Security Manager role only, due to the nature of work supporting the Oracle Application. 11 - This role has been removed from 3 user accounts within Learning and Development who do not sit in the Payroll Oracle support Team or the Oracle Support Team. This custom role is required by the Payroll team as they support the system as well as create workers as part the set up for new employees due to segregation of duties between HR and Payroll. Control has now been introduced to review everyone who has this role on a quarterly basis. 12 – 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.
✓	**13. Lack of audit logging for configurations in Oracle Cloud** IT audit noted that the Council 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.	Audit logging has been reviewed with service leads across all financially critical areas and has been found to be sufficient.

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 2024.

Detail	Comprehensive Income and Expenditure Statement (CIES) £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on General Fund £000
Gain on disposal				
The £22.5m gain on disposal includes £10.5m sales proceeds for two leased assets, Neville House & Peel Phase 4,				
Dr. CIES Gains/ Loss on disposal £10.5m	10,500			
Cr. Assets Under Construction £10.5m		(10,500)		
Dr. Capital Adjustment Account £10.5m			10,500	
Cr. General fund Movement in Reserves £10.5m				(10,500)
Bank reconciliation statements				
Our review of account number 76700712 identified that there were transactions (money) of £1.5m received pre-year-end but not reversed from the debtor balance.				
Dr. Bank		1,480		
Cr. Debtors		(1,480)		
Lease prepayment				
A lease prepayment of £1,298,487 was originally input in 2013-14 and not the following year. The error results from a specific calculation arising from the PFI models, relating to the share of the unitary payment set aside for lifecycle costs, but not yet utilised.				
Dr. Expenditure £1.3m	1,298			
Cr. Prepayments £1.3m		(1,298)		
Dr. CIES £1.3m			1,298	
Cr. General fund Movement in Reserves £1.3m				(1,298)

D. Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on General Fund £000
Short-term debtors				
In reconciling the debtor listings with the financial statements, a difference of £4.248m was identified. The amount related to Peel Phase 3 Land receipts, under invoice number 900874283, dated 18 October 2023, amounting to £4.6m. The payment was received on 27 November 2023 but was incorrectly recorded as a debtor				
Dr. Expenditure £4.2m	£4,248			
Cr. Short term debtors £4.2m		(4,248)		
Dr. CIES £4.3m			4,248	
Cr. General fund Movement in Reserves £4.3m				(4,248)
Overall impact	£16,046	(£16,046)	£16,046	(£16,046)

D. Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 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	Balance Sheet £000	Impact on total net expenditure £000	Impact on General Fund £000	Reason for not adjusting
Operating expenditure cut-off We identified three sample errors amounting to £15,578 due to expenditure being recorded in the wrong period or accidental payments not subsequently reversed. The total testing error extrapolated to an expenditure overstatement of £1,173,009.					Projected misstatement. The factual error is trivial
Dr. Creditors £1.2m	(1,173)				
Cr. Expenditure £1.2m		1,173			
Cr. CIES £1.2m			(1,173)		
Dr. General fund Movement in Reserves £1.2m				1,173	
Overall impact	(£1,173)	£1,173	(£1,173)	£1,173	

D. Audit adjustments

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?
Cashflow Statement We identified a difference of £5.2m between the Cashflow Statement and Note 1a for the line representing 'Impairment and downward valuations'. It was noted that management incorrectly stated the impairment value.	Management should correct the consistency between the Cashflow Statement and Note 1a. Management response – We have updated the financial statements.	✓
Note 1c – Capital commitments (a) We identified that management disclosed capital commitments for construction or enhancements of property, plant and equipment of £325m. The correct value of the capital commitments at 31 March 2024 was £246.6m. (b) We identified that for the Wembley Housing Zone Project, the total contract value summed to £121.9m, however it was disclosed as £120.1m in the financial statements.	Management should update the disclosure. Management response (a) We have updated the financial statements. (b) This is immaterial and hence, not updated.	✓ x
Note 3 – Cash and cash equivalents We identified that a £5m deposit was incorrectly classified as cash and cash equivalent rather than a short-term investment. The deposit had a maturity of more than six months and thus, did not meet the requirements of cash and cash equivalents per IAS 1.	Management should reclassify the amount on the face of the balance sheet and the related disclosures. Management response – We have updated the financial statements.	✓
Note 24 – Financial instruments We identified that management did not disclose currency, liquidity, market and interest rate risks per the requirements of IFRS 7.	Management should update the financial statements to comply with the requirements of IFRS 7. Management response – We have updated the financial statements.	✓
Note 24 – Short-term debt We identified that £0.5m of the Council's short-term debt was incorrectly classified as long-term debt.	Management should reclassify the debt from long-term to short-term. Management response – We have updated the classification.	✓

D. Audit adjustments

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?
Note 27 – Leases We identified that management did not update the accounts for the current year to reflect the minimum lease payments for 330 Ealing Road, amounting to £7.7m.	Management should update the disclosure. Management response – We have updated the financial statements.	✓
Movement in Reserve Statement (MIRS) and Note 39 The MIRS was not updated with correct movements. Below are the issues identified: • The closing balance of the HRA was £2.4m but disclosed as £4.4m in the MIRS; • The General Fund balance was £20.2m in the MIRS but disclosed as £21.9m in Note 39; • The adjustments between accounting basis and funding basis differed for the General Fund. It was £85.5m in the MIRS and £81.8m in Note 39; and • The adjustments between accounting basis and funding basis for unusable reserves was (£45.7m) in the MIRS but disclosed as (£42m) in Note 39.	Management should update the disclosure. Management response – We have updated the financial statements.	✓
Housing Revenue Account (HRA) We identified that the HRA account was not updated with correct movements. Below are the issues identified: • HRA balance brought forward stated (£2.4m) but the correct amount per the trial balance was (£0.4m); • Transfers to major repairs reserve stated £0.9m whereas the amount per the trial balance was £11.5m; • Pension interest cost and expected return on pension costs stated nil whereas the correct amount was £0.9m; and • Transfers to capital adjustment account stated £11.5m whereas the correct amount was (£25.7m).	Management should update Housing Revenue Account. Management response – We have updated the financial statements.	✓
Various There were various spelling, formatting, casting and other minor adjustments made as a result of the audit process. These were not individually significant.	Process the updates as identified. Management response – Management made the appropriate adjustments.	✓

E. Fees and non-audit services

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

Audit fees for London Borough of Brent	Proposed fee per the Audit Plan £	Final fee £
Scale fee	503,089	503,089
ISA 315	12,550	12,550
Additional procedures/resources required (as described on pages 27):		
• Delays caused by external valuer and high volume of adjustments to the property, plant & equipment notes. This includes meetings with the valuer, and additional work on further valuations and other PPE related tasks		£7,500
• Additional work in respect of bank reconciliation statements		£5,000
• Additional work on various areas including change in circumstances, debtors, and creditors		£5,500
• Additional work due to poor quality of audit evidence		£3,000
Total audit fees (excluding VAT)	**£515,639**	**£536,639**

This covers all services provided by us and our network to the group/company, 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))

Audit-related fees	Proposed fee £
I4B Holdings Ltd Audit	£48,000
First Wave Housing Ltd Audit	£45,000
Brent Pension Fund Audit	£94,414
Total audit fees (excluding VAT)	**£187,414**

E. Fees and non-audit services

In Note 17, the total disclosed “Fees payable for the certification of grant claims and returns during the year” is £56,100. This represents the proposed fee for 2023-24 however, the work to date has not been completed and the final fee is to be communicated. The amount of £56,100 is an accrual and thus, we have not requested management to change the figure since it is trivial.

Audit-related fees for other services	Proposed fee as the Audit Plan £	Final fee £
Certification of Housing Benefits Assurance Process - 2022-23	32,400	TBC
Certification of Housing Benefits Assurance Process - 2023-24	32,400	TBC
Certification of Pooling of Housing Capital Receipts return - 2022-23	10,000	TBC
Certification of Pooling of Housing Capital Receipts return - 2023-24	10,000	TBC
Certification of Teachers' Pensions return - 2022-23	10,000	TBC
Certification of Teachers' Pensions return - 2023-24	10,000	TBC
Total non-audit fees (excluding VAT)	£104,800	£TBC

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

F. DRAFT audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report.

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