

# The Audit Findings Report for Brent Pension Fund

**Year ended 31 March 2024**

31 October 2024





Brent Pension Fund  
Brent Civic Centre  
Engineers Way  
Wembley  
HA9 0FJ

31 October 2024

Dear Cllr Jumbo Chan

## Audit Findings Report for Brent Pension Fund 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 \(grantthornton.co.uk\)](#). PSAA has also published their own Quality Monitoring Report, this report is available at [Audit Quality Monitoring Report 2023 – PSAA](#).

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.

Matt Dean

Director  
For Grant Thornton UK LLP

### Chartered Accountants

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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. Its contents will be discussed with management and the Audit and Standards Committee.

**Name:** Matt Dean

For Grant Thornton UK LLP

**Date:** 31 October 2024

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

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund'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 Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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.

Our audit work was completed remotely during July-October. Our findings are summarised on pages 6 to 15.

To date, we have not identified any adjustments to the Pension Fund financial statements. We have identified **£2.2 million** of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2024 and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed in Appendix D. Management are proposing not to amend the financial statements on the basis that the differences are not material.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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

- receipt and review of the Annual Report;
- receipt of management representation letter; and
- review of the final set of financial statements.

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

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

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2024 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

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# 1. Headlines

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## National context – audit backlog

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### 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 confirm the 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 also laid a new Code before Parliament. One of the objectives is 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 Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

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## National context – Triennial Valuation

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Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hyman Robertson, and showed that the Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. The present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. Following the 2022 triennial valuation, the Employer's contributions for the period to 31 March 2024 are estimated to be approximately £41.6m. The deficit recovery period is 20 years. Contributions will remain at 33.5% of pensionable pay in 2023/24.

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## 2. Financial Statements

### Overview of the scope of our audit

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

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

For Brent Pension Fund, the Audit and Standards Committee fulfil the role of those charged with governance. The Audit and Standards Committee considers the draft financial statements and is part of the overall member oversight process.

### Audit approach

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

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

### Conclusion

We have substantially completed our audit of your financial statements. The work on the Council's financial statement is still ongoing due to various delays encountered. Subject to outstanding queries being resolved as detailed on page 3, and the completion of the audit of the financial statements, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 31 October 2024.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the pension fund team and other staff.

# 2. Financial Statements



## Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 22 July 2024

## Pension Fund Amount (£) Qualitative factors considered

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	18,600,000	This represents 1.5% of gross assets
Performance materiality	13,950,000	This represents 75% of materiality for financial statements
Trivial matters	930,000	This is 5% of overall financial statement materiality.
Materiality for fund account	5,950,000	This represents 10% of total gross expenditure.



## 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
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals.</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Presumed risk of fraud in revenue recognition</b></p> <p>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 Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition</li> <li>opportunities to manipulate revenue recognition are very limited</li> <li>the culture and ethical frameworks of local authorities, including the Brent Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the London Borough of Brent Pension Fund.</p> <p>Having considered the risk factors set out in ISA(UK&amp;I)240 and the nature of the revenue streams at Brent Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted.</p>	<p>We do not consider this to be a significant risk for the Pension Fund and such there is no specific work planned for this risk. To address this risk, for contributions and investment income, we:</p> <ul style="list-style-type: none"> <li>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.</li> <li>inspected transactions which occurred in the year and ensure that they have been included in the current year.</li> <li>confirmed our understanding of the business process and determine if there are any relevant controls.</li> </ul> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

#### Valuation of Level 3 investments

You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.

By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (CY: **£122.7 million**) and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2024.

We therefore have identified the valuation of Level 3 Investments as a significant risk.

### Commentary

We have undertaken the following work in respect of this risk:

- evaluated management's processes for valuing Level 3 investments.
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met.
- Independently request year-end confirmations from investment managers and the custodian (Northern Trust).
- tested the valuation of a sample of investments by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. We have reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening period.
- evaluated the completeness, capabilities and objectivity of the valuation expert in the absence of available audited accounts.
- reviewed investment manager service auditor report on design and operating effectiveness of internal controls where available.

Our work on level 3 investments is complete and is subject to the engagement leads' review. While testing the valuation of a sample of investments by obtaining and reviewing the audited accounts, at the latest date for individual investments and agreeing these to the fund manager reports as at that date, we found the following differences:

- LCIV Infrastructure Fund was understated by £845k;
- Alinda Infrastructure Parallel Fund III was understated by £363k; and
- Capital Dynamics was understated by £1,014k.

The above differences have led to a net understatement of Investments level 3 by £2,223k. This is below the performance materiality levels and thus, management has decided not to adjust for the above issue but we have reported as an Unadjusted Misstatement for the Committee to approve. Except for the above, we have not identified any other issues which we need to bring to the attention of the Audit and Standards Committee.

## 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
<b>Level 3 Investments – £122.7 million</b>	<p>The Pension Fund has Level 3 investments in private equity, infrastructure and private debt which in total are valued on the net assets statement as at 31 March 2024 at £122.7 million.</p> <p>The management has flagged estimation uncertainty in relation to private equity/infrastructure/private debt investments in that there is a risk that this investment may be under- or overstated in the accounts. This is because such investments are valued on the latest available information, as the exact value of the investment as of 31st of March 2024 might not yet be available at the time of the compilation of the accounts. The management therefore uses the custodian as their expert, as Northern Trust will adjust the fund managers' valuations to account for cash-flows in the intervening period.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management uses the custodian report provided at the year-end by Northern Trust.</p> <p>The investment valuations are supported by audited accounts.</p> <p>Service auditor reports were also obtained and considered as part of our testing.</p> <p>The value of the investment has increased by £19.7 million in 2023/24. This is mainly due to the increase in the market value of the investments.</p>	<p>From the procedures undertaken, we have</p> <ul style="list-style-type: none"> <li>deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments.</li> <li>assessed management's expert (the fund managers and the custodian which is Northern Trust)</li> <li>obtained latest audited accounts and reviewed cash flow movements to 31 March 2024.</li> <li>checked the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>reviewed the results of service auditor reports</li> <li>checked the reasonableness of the increase in level 3 investments</li> <li>checked the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in relation to this key estimate – Valuation of Level 3 investments is complete. Subject to the engagement lead's review, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	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
<b>Level 2 Investments – £1,092.4 million</b>	<p>The Pension Fund has Level 2 pooled investments and pooled property investments which in total are valued on the net assets statement as at 31 March 2024 at £1,092.4 million.</p> <p>Management has not flagged any estimation uncertainty in relation to Level 2 investments.</p> <p>The investments are not traded on an open exchange/market and the valuation of the investment is subjective.</p> <p>The Pension Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.</p> <p>The value of the investment has increased by £119.5 million in 2023/24. This is mainly due to a rise in global equities, in which the fund has around 45% exposure, resulting in a positive value increase.</p>	<p>From the procedures undertaken, we have:</p> <ul style="list-style-type: none"> <li>• deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 2 investments;</li> <li>• assessed management's expert (the fund managers and the custodian which is Northern Trust);</li> <li>• checked the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>• impact of any changes to valuation method;</li> <li>• checked the adequacy of disclosure of estimate in the financial statements;</li> <li>• checked the number of units held agrees between the following sources:             <ol style="list-style-type: none"> <li>i. the pension fund's underlying records supporting their financial statements.</li> <li>ii. external confirmation from the fund manager.</li> <li>iii. external confirmation from the custodian.</li> </ol> </li> <li>• obtained and reviewed the service auditor's report on internal controls for the custodian, focusing on controls relevant to valuation of investments;</li> <li>• obtained purchase and sale transactions in respect of the PIV near the reporting date, compared the transaction price to the price at the reporting date; and</li> </ul> <p>Our work in relation to this key estimate – Valuation of Level 2 investments is complete. Subject to the engagement leads' review, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.</p>	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: 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	Additional procedures carried out to address risks arising from our findings
			Security management	Change management	Batch scheduling		
Oracle	Roll-forward ITGC assessment	 Red	 Red	 Green	 Green	Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.

\*The significant deficiencies identified in our ITGC assessment have been carried forward from the prior year. Please see control number 01, 02, 04 and 06 in appendix C for our follow-up on prior year recommendations.

### Assessment

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

## 2. Financial Statements: 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
<b>Matters in relation to fraud</b>	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.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation has been requested from the Pension Fund, which is included in the Audit and Standards Committee papers  Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for both Level 2 and 3 Investments.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to fund managers. This permission was granted, and the requests were sent. We have received all requests.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements
<b>Audit evidence and explanations</b>	All information and explanations requested from management was provided.

## 2. Financial Statements: other communication requirements



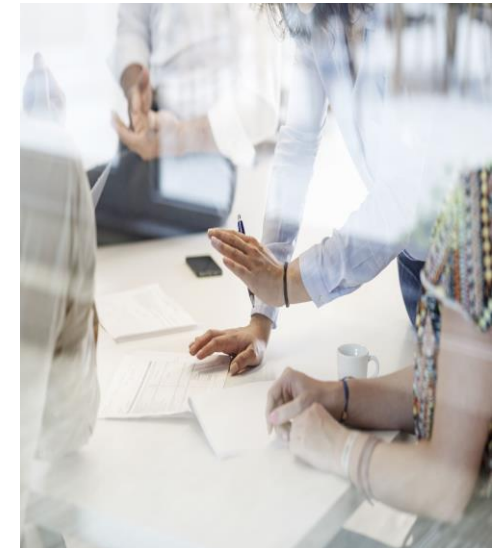
### Our responsibility

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	<p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>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 Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund’s financial reporting framework</li> <li>the Pension Fund’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>The Pension Fund is administered by the London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>This work is outstanding, and we will provide an update to Management and Those Charged with Governance should any issues be identified from the work performed.</p>
<b>Matters on which we report by exception</b>	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 01 December 2024 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>



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# 3. Independence considerations

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

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

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

Details of fees charged are detailed in Appendix E.

## Transparency

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

## 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 Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to October 2024.



# 3. Independence and ethics

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund 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 Pension Fund 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 Pension Fund 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 Pension Fund
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 Pension Fund's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person 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
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

# A. Communication of audit matters to those charged with governance

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

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

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

Assessment	Issue and risk	Recommendations
Low	<p><b>Fund's process of monitoring performance</b></p> <p>During our risk assessment and planning procedures, it came to light that management of the Fund does not utilise internally generated outturn reports to monitor and report their financial performance and expenditures, a standard practice for pension funds. These reports offer a comprehensive overview of actual financial outcomes in comparison to budgeted amounts, serving as an effective tool for tracking financial performance. Instead, they rely on investment monitoring reports generated by Hymans Robertson (the actuary) at Q3, 2023, and Q1, 2024.</p> <p><b>Risk</b></p> <p>There is a potential risk that the fund may not effectively monitor actual performance while waiting for the actuaries' reports.</p>	<p>It is recommended that the Fund prepare and utilise quarterly outturn reports to measure the performance of the Fund during the course of the year.</p> <p><b>Management response</b></p> <p>Management currently do not prepare a M9 outturn report however monitoring is completed on key areas. This includes the investment monitoring reports, reconciliation and monitoring of contributions throughout the year and an analytical review closer to year end.</p>
Low	<p><b>Agreement between the Fund and Custodian</b></p> <p>Through our examination of the service organizations utilized by the Fund, it was identified that the custody agreement between the Fund and Northern Trust was executed after the year-end, specifically on 20 June 2024. Discussions revealed that management held multiple meetings to conclude this agreement. Consequently, the Fund did not have a formally signed agreement for the financial year ending 31 March 2024.</p> <p><b>Risk</b></p> <p>Although we have not classified this as a significant risk, there is a possibility that during the period when the agreement was not signed, the custodian may not be legally bound by the agreement and, therefore, not liable for any actions.</p>	<p>It is recommended that the Fund ensures all legal contracts relating to the financial year are signed within that year.</p> <p><b>Management response</b></p> <p>Management recognise the importance of having agreements in place. The approval to award the contract was given in August 2023 therefore both parties were fully aware of the services to be delivered under the contract and the cost. Unfortunately, sometimes delays between legal services can happen and we cannot sign contracts until both parties are comfortable with the contents.</p>

### Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Brent Pension Fund's 2022/23 financial statements, which resulted in 8 recommendations being reported in our 2022/23 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>1. Excessive access assigned to HR and Payroll users.</b></p> <p>IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role.</p> <p>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.</p> <p>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.</p> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p> <p>It is recommended that the Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required.</p>	<p>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.</p>
✓	<p><b>2. Segregation of duties (SoD) conflicts between finance / payroll and system administration roles in Oracle Cloud.</b></p> <p>IT Audit's identified that a Senior Finance Analyst had access to the Application Implementation Consultant role.</p> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p> <p>It is recommended that the Council undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p>	<p>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</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk	Update on actions taken to address the issue
✓	<p>3. From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension.</p> <p><b>Risk</b></p> <p>Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to.</p> <p>Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners.</p> <p>From our testing in the current year, we have not found any such issues.</p>	<p>The pension fund regularly reviews it's data and has considered steps it can take to address this finding. Management aim to have a record of the original notification letter setting out what the annual pension should be for pensioners however some documents may not be available where they were archived by the previous administrators.</p>
✓	<p><b>4. Seeded roles with SoD conflicts</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>- FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_OPTION_PRIV</li> <li>- FND_APP_MANAGE_PROFILE_CATEGORY_PRIV</li> <li>- FND_APP_MANAGE_TAXONOMY_PRIV</li> <li>- FND_APP_MANAGE_DATABASE_RESOURCE_PRIV</li> </ul> <p><b>Risk</b></p> <p>Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters. It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour.</p>	<p>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.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk	Update on actions taken to address the issue
✓	<p>5. During our related party testing, we identified that , related party returns were not sent to senior officers for them to make a disclosure of related party disclosure</p> <p><b>Risk</b></p> <p>The risk with this is that if we returns are not sent , there may be instances where related party transactions may not be disclosed. We recommend that a related party disclosure form should be sent to all senior officers every year, and this should be captured to ensure that there are no undisclosed related party transactions.</p>	<p>Related Party Transaction forms are completed by all Chief Officers of the Council. For the Pension Fund, we have created a separate form specific to disclosures relating to the Pension Fund, which is signed by all members of the Pension Board and Committee, as well as the s.151 officer and Chief Executive.</p>
✓	<p>6. From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person.</p> <p>The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error.</p> <p><b>Risk</b></p> <p>This finding indicates that there is currently nothing in the system to prevent journals being posted with an identical journal number (lack of preventative controls), which increases the risk of error occurring and can result in journal duplications.</p> <p>Management should put in place a control/ procedure/checks which will prevent more than one journal from being posted with the same journal number.</p>	<p>This has been addressed in the current year. A reconciliation of the journal log to Oracle cloud is performed with screenshots of the journal log kept in the working file, as well as cross checks with journals processed in any prior periods.</p>
✓	<p><b>7. Lack of audit logging for configurations in Oracle Cloud</b></p> <p>IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table.</p> <p><b>Risk</b></p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p> <p>It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Cash Management</li> <li>• Accounts Receivable and</li> <li>• General Ledger</li> </ul> <p>It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS</p>	<p>Audit logging has been reviewed with service leads across all financially critical areas and has been found to be sufficient.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk	Update on actions taken to address the issue
✓	<p>8. Following our hot review, we challenged management about the currency risk disclosure as to why the currency risk disclosure in the financial instruments note was not analysed by currency . Whilst this is not a requirement in the CIPFA code , the disclosure will be clearer to the readers of the financial statements if it is analysed by currency. This is a best practice recommendation.</p> <p>We recommend that management analyse the currency risk disclosure by currency to ensure that it is clear to the readers of the financial statements.</p>	<p>Management have considered disclosure by currency for the 2023/24 accounts. Reporting received by the Pension Fund provides detail on the currency of the pooled fund not the currency exposure of the underlying holdings. It is not considered appropriate to disclose in line with pooled fund currency because this would not reflect currency risk in Funds denominated in GBP. Management note that this is not a requirement in the CIPFA code.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed



# D. Audit Adjustments

## Impact of adjusted misstatements

As explained on page 04, our audit work is complete and subject to engagement leads' review. At the time of drafting this report, we have not found any errors which may lead to adjustments to the financial position of the fund.

## 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	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
<b>Investments Level 3</b>				
From our testing of Level 3 investments, we have identified the following differences between the fund managers' confirmations and the figures recorded in the financial statements:				
<ul style="list-style-type: none"> <li>LCIV Infrastructure Fund is understated by £845,042;</li> <li>Alinda Infrastructure Parallel Fund III, is understated by £363,111; and</li> <li>Capital Dynamics: the investments are understated by an aggregate variance of £1,014,954.</li> </ul>	Cr. (2,223)	Dr. 2,223	Dr. 2,223	The Pension Fund has not adjusted the error is below Performance materiality.
<b>Overall impact</b>	<b>(£2,223)</b>	<b>£2,223</b>	<b>£2,223</b>	

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

## 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?
<p><b>Note 1 – Description of Fund</b></p> <p>From our review of the financial statements, it was identified that the narrative within Note 1 stated that there were 49 employer organisations with active members within the Pension Fund at 31 March 2024. We challenged management that the reports stated that 43 organisations had active members.</p>	<p>The disclosure needs to be rectified.</p> <p><b>Management response</b></p> <p>Final set of accounts will be updated.</p>	✓

# D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p><b>Note 15a - Sensitivity of assets valued at Level 3</b></p> <p>From our review of the fair value disclosures, it was identified that Note 15a did not meet the Code requirements as it did not contain the necessary narrative explaining the sensitivity analysis.</p>	<p>Make the updates as identified.</p> <p><b>Management response</b></p> <p>Final set of accounts will be updated.</p>	✓
<p><b>Note 9 – Benefits Payable</b></p> <p>From our review of the financial statements, it was identified that the disclosure for benefits payable was not compliant with the Code. As per the Code requirements 6.5.5.1 the fund are required to disclose benefits payable analysed between the administering authority, scheduled bodies and admitted bodies. Note 9 however combined administering authority and scheduled bodies and was therefore not code compliant.</p>	<p>Management should amend benefits payable note.</p> <p><b>Management response</b></p> <p>Management have explained that the payroll system does not have the functionality to identify whether a payment has gone to an administering authority or a scheduled body and therefore they are not able to meet this disclosure requirement.</p>	x
<p><b>Various</b></p> <p>There were various spelling, formatting, casting and other minor adjustments made as a result of the audit process. These were not individually significant.</p>	<p>Make the updates as identified.</p> <p><b>Management response</b></p> <p>Management made the appropriate adjustment.</p>	✓

## D. Fees and non-audit services

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

	Proposed fee 2023/24
Brent Pension Fund Audit	£86,884
ISA 315*	£7,530
<b>Total audit fees (excluding VAT)</b>	<b>£94,414</b>

\*ISA 315 is not included within the published 2023/24 scale fees. The £7,530 is therefore a fee variation that is subject to PSAA approval.

### Relevant professional standards

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

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

