

Audit Findings (ISA 260) Report for the London Borough of Brent

Year ended 31 March 2025

February 2026

**DRAFT –**

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IS FINALISED

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3 February 2026

Dear Cllr Jumbo Chan

Audit Findings for London Borough of Brent for the year ended 31 March 2025

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process 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.

Chartered Accountants

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-.pdf).

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

Key Audit Partner

For Grant Thornton UK LLP

Chartered Accountants

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01 Headlines and status of the audit

Headlines (1)

This page and the following summarises the key findings and other matters arising from the statutory audit of London Borough of Brent (the 'Authority') and the preparation of the Group and Authority's financial statements for the year ended 31 March 2025 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 Authority's financial statements give a true and fair view of the financial position of the Group and Authority and its 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.

The accounts audit commenced in July 2025 and remains ongoing, [with completion planned for February 2026](#). Our findings are summarised on pages 19 to 31 of this report. To date, we have [10 adjustments to the financial statements, resulting in a £0.1m adjustment to the Authority's Comprehensive Income and Expenditure Statement, decreasing the financial position](#). These adjustments do not affect the level of the Authority's usable reserves. We have raised recommendations for management as a result of our audit work (page 48) and audit adjustments are detailed from page 36. Our follow up of prior year audit recommendations is included at page 67 to 71.

Our audit work is ongoing, and we currently are not aware of any matters requiring modification of our audit opinion, subject to the following outstanding items:

- [Plant, property and equipment \(PPE\): \(1\) Receipt of fully updated PPE note which reflects all adjustments including all prior period errors which impact PPE. \(2\) PPE Prior Period Adjustment: Completion of asset transfers testing and finalisation of correction adjustments for gains/losses on non-current assets.](#)
- [PFI: Await to assess impact of final adjustments and support for opening liability balance on transition to IFRS 16 of £33m.](#)
- [Financial instruments: Awaiting final disclosure which is IAS 8-compliant, reflecting agreed adjustments.](#)
- [Movement in Reserves Statement \(MIRS\): Management to provide an updated MIRS checker with explanations to support and variances.](#)
- [Borrowings – Receipt of confirmation from Dankse Bank.](#)
- [Receipt of consolidated Group Accounts.](#)
- [Completion of remaining audit testing in the areas of: Group Accounts, Capital Financing Requirement, Minimum Revenue Provision, and review of Narrative Report based on revised accounts.](#)
- [Final review of audit work by senior audit engagement team members.](#)
- [Review of the final set of financial statements.](#)
- [Receipt of management's letter of representation.](#)

Headlines (2)

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority 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 Authority'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 Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

Our VFM work and detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the September 2025 Audit & Standards Committee.

We identified 3 significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Refer to the value for money section of this report for further detail, page 72.

Headlines (3)

Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller & Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We encountered significant challenges during this year’s audit. Last year we highlighted significant deficiencies in the valuation of property, plant and equipment (PPE) which led to numerous errors and disclosure misstatements. While management has made efforts to address some of these issues for 2024-25, the late completion of the 2023-24 audit in February 2025 meant there has not been much time to implement the required changes. The draft 2024-25 financial statements were not delivered by the agreed date of 18 July 2025, and were delayed until 18 August 2025, missing the 30 June 2025 statutory publication deadline. The main reason for delay continues to be in respect of the Authority’s valuation. We have faced substantial problems with the valuations, including receipt of incorrect valuation reports, duplicate property valuations, difficulties in reconciling the fixed asset register with the valuer’s report, and slow responses from the valuer.

The implementation of IFRS 16 has added further complexity, requiring complete revision of the leases disclosure. Management’s efforts to resolve IFRS 16 issues resulted in further issues within the Authority’s capital processes, and additional errors within the accounts. These combined factors have caused delays to the audit timetable, required unplanned audit resource, driving increased audit costs.

Further detail is provided on the following 3 pages.

Headlines (4)

Significant difficulties and delays

Area	Commentary
Delay of draft financial statements	The delay in receiving the draft financial statements for audit a month later than planned occurred because management was focused on resolving significant prior-year issues with property, plant and equipment (PPE) balances and disclosures, and completing the required work for the first-year implementation of IFRS 16. As a result, the timing and progress of the audit were substantially impacted. At times we paused the audit, and we also secured additional audit resources once we confirmed the audit could not be completed by the original September 2025 deadline.
Audit work post-September 2025	Audit resource was originally allocated from mid-June until end of September 2025. Due to audit delays we agreed to continue the audit into October and November 2025. The audit resource was then extended into January 2026 due to further delays in PPE work, IFRS 16 implementation, revisions to the financial instruments note, as well as knock-on impacts on other areas of the accounts such as reserves, including delays in receiving the consolidated group accounts. This additional audit resource was not included in the original budget.
IFRS 16	We carried out testing on lessor amounts and disclosures; however, management subsequently informed us that the listing provided was incomplete, requiring us to re-select our sample. Additionally, the entire leases disclosure was subsequently rewritten when management identified a significant volume of errors in the underlying data, which meant the original disclosure was materially inaccurate.
PPE valuations	<p>Our initial review of management's reconciliation of the fixed asset register (FAR) to the valuation report identified some variances. Management also informed us that original valuation report was incorrect, for example it contained duplicate valuations. We did not receive the final valuation report which reconciled to the FAR until 22 October 2025 which significantly delayed our work in this and meant that some audit procedures had been carried out multiple times.</p> <p>We selected General Fund (GF) and Housing Revenue Account (HRA) assets to test, sharing the samples with the valuer on 30 October 2025. The initial responses with regards to both GF and HRA samples were unsatisfactory. Most samples required several follow-ups and multiple meetings with the valuer to obtain sufficient evidence and assurance, delaying the process significantly.</p>

Headlines (5)

Significant difficulties and delays (continued)

Area	Commentary
PPE prior period adjustment (PPA)	<p>Work on the PPA relating to PPE was not anticipated in our audit plan and resulted in the need for additional audit resource. The PPA required complex reconciliations between the fixed asset register (FAR), valuation reports, and the financial statements.</p> <p>To obtain sufficient assurance, we selected a sample of 11 asset adjustments to test, to gain assurance over the FAR cleansing exercise and the PPA adjustment entries. This work identified a material issue with the approach and preparation of management's PPA calculation. The workings assumed all errors existed pre- 31/03/23, however testing identified this was not the case. Management reviewed their workings again and updated working papers and PPA disclosures. This was reviewed by the audit team, but in January management informed us of additional prior period errors relating to transfers between different categories of PPE and financial instruments. These matters still need to be resolved.</p>
PPE garage valuations / completeness risk	<p>Management has shared the HRA garage valuations, which were carried out separately from the core valuations by an independent valuer (not WHE). The new valuation of the garages is £11.3m, compared to £4.8m in the FAR/draft accounts, resulting in a £6.5m error. The adjustment is reflected in the Audit Adjustments section, page 36. Our work in this area was delayed pending completion of the garage valuations by the new valuer, occurring in late October and early November. Following the valuation, management confirmed ownership of 706 garages and 2 cages which we have tested with no issues identified.</p>
Creditors and debtors sample selections	<p>There was significant delay in obtaining the debtor and creditor listings required for our sample selection. Once management provided the listings, further revisions were necessary by management, resulting in multiple exchanges before we received final versions suitable for sampling.</p>
Financial instruments	<p>Management informed us that a significant rework of the financial instruments (FI) disclosures (Notes 24–26) was required. This was partly due to errors in the original preparation, as well as wider issues identified (such as leases) that impacted the disclosures. We had already completed a significant amount of audit work in this area based on the draft financial statements provided for audit.</p> <p>Management submitted several revised versions of the financial instruments disclosure; however, each version continued to contain errors and unsupported balances. Management subsequently agreed a full rework of the disclosure. Progress with this was delayed due to related issues identified in leases, creditors, and debtors. Our review confirmed that the debtor and creditor balances within the disclosures for both current and prior year are immaterially misstated. Management agreed to correct the prior year comparatives through a PPA and is preparing an IAS 8-compliant revised note.</p>

Headlines (6)

Significant difficulties and delays (continued)

Area	Commentary
PPE additions	Management informed us that it was appropriate for us to select our additions sample from the fixed asset register. This was not acceptable due to sub-sampling concerns and we emphasised the need for a complete listing of individual additions. We requested management to provide capital expenditure listing to support our work. However, the capital expenditure listing did not reconcile to the accounts in terms of categorisation. When raised with management we received pushback that the overall reconciliation was sufficient, which we disagreed with. It took additional time for management to provide an appropriate listing that reconciled correctly to the additions by asset category line in the PPE disclosure, enabling us to complete our sample selection.
Capital grants unapplied	We emphasised to management the need for a complete listing that did not require sub-sampling. In the case of capital grants unapplied, we engaged in multiple discussions with management regarding the appropriate sampling approach. The initial listings provided required several rounds of revision and clarification before we were able to identify the final items suitable for testing.
Capital issues	<p>Management informed us that due to time constraints and competing priorities (IFRS 16 and PPE work), there were issues relating to capital where standard reviews did not take place. This resulted in errors in the disclosures and required additional audit work.</p> <p>In capital creditors, management identified two errors from the sample we selected and in expenditure completeness testing we identified one error relating to capital expenditure that was not accrued at year-end. This occurred because management did not complete its review of capital accruals. For errors, refer to Audit Adjustments section on page 36. Due to these errors, we performed additional audit testing to obtain assurance over this balance.</p> <p>In capital grants, we identified one error where a capital grant received in advance was incorrectly recorded as capital grant income. Management explained that this was due to the omission of capital grants received in advance from the financial statements, based on their view that the amounts were immaterial. We performed additional audit work and agree that these amounts are immaterial.</p>

Headlines (7)

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines (8)

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

In the current year, IFRS 16 implementation resulted in first-time recognition of right-of-use (ROU) assets with a net book value (NBV) of £19.8m at 31 March 2025 in the draft financial statements.

There were also additions of £28.8m of PFI assets added to PPE ROU assets due to adoption of IFRS 16.

Management will update the NBV for ROU assets due to errors identified through audit testing, see page 25 for detail.

Management reflected the corresponding accounting entries and in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. New accounting policies and additional lease disclosures have been included in the financial statements in line with IFRS 16 requirements under the CIPFA Code.

We experienced significant delays in obtaining accurate working papers and evidence for the leases work, as outlined on page 9.

02 Group audit

Group audit

In accordance with ISA (UK) 600 Revised, as Group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the Group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final Group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the Group	Scope at planning	Scope at final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
London Borough of Brent	Yes	Scope 1	Scope 1	Grant Thornton UK	Sophia Brown	<div><div></div>Green</div>	Audit is in progress – an unmodified audit option is anticipated.
First Wave Housing Ltd	No	Scope 3	Scope 3	Grant Thornton UK	Stephen Dean	<div><div></div>Green</div>	Audit complete - unmodified audit opinion issued.
I4B Holdings Ltd	No	Scope 3	Scope 3	Grant Thornton UK	Stephen Dean	<div><div></div>Green</div>	Audit complete - unmodified audit opinion issued.
LGA Digital Services	No	Out of Scope	Out of scope	N/A	Not audited	N/A	
Barham Park Trust	No	Out of scope	Out of Scope	N/A	Not audited	N/A	

Key

Scope 1

Scope 2

Scope 3

Out of scope

Green

Amber

Red

Audit of entire financial information of the component, either by the Group audit team or by component auditors (full-scope)

Specific audit procedures designed by the Group auditor (specific scope)

Specific audit procedures designed by a component auditor (specific scope)

Out of scope components are subject to analytical procedures performed by the Group audit team to Group materiality

Planned procedures are substantially complete with no significant issues outstanding

Planned procedures are ongoing/subject to review with no known significant issues

Planned procedures are incomplete and/or significant issues have been identified that require resolution

Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 3	Grant Thornton UK	We will not involve or rely on the work of component auditors, given the limited area in subsidiaries requiring testing. Instead, we will conduct testing for significant accounts and transactions at the group-level.	None
Out of scope	N/A	We will not involve or rely on the work of component auditors, given the limited area in subsidiaries requiring testing. Instead, we will conduct testing for significant accounts and transactions at the group-level.	None

03 Materiality

Our approach to materiality

As communicated in our Audit Plan presented to the Audit & Standards Committee on 5 June 2025, we determined materiality at the planning stage to be £22.6m, based on 2% of prior year gross expenditure. At year-end, we reconsidered materiality based on the draft financial statements. We have not revised materiality levels as the change based on actual 2024-25 gross expenditure results in minimal change to materiality levels determined at the planning stage.

	Group £	Authority £	Qualitative factors considered
Materiality for the financial statements	22,624,000	22,524,000	We considered materiality from the perspective of the users of the financial statements. The Authority 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 2% to be an appropriate rate to apply to the gross expenditure to calculate the materiality.
Performance materiality	14,705,600	13,970,320	Our performance materiality is based on a percentage of the materiality for the financial statements listed above. The threshold applied is 65% of headline materiality. The percentage is lower than last year due to errors and control issues identified during the 2023-24 audit.
Materiality for senior officers' remuneration	20,000	20,000	We consider senior officer remuneration and termination benefits as sensitive disclosures and of public interest. We therefore set a lower materiality figure to ensure adequate procedures are performed and identified misstatements of lower amounts are reported to those charged with governance. No changes on threshold since the planning stage.
Reporting threshold	1,131,200	1,126,200	This balance is set at 5% of materiality for the financial statements.

04 Overview of significant and other risks identified

Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

The below table summarises the significant and other risks discussed in more detail on the subsequent pages. Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of control	Significant	↔	✓	Low	● Green
Valuation of land & buildings	Significant	↔	✗	High	● Red
Valuation of council dwellings	Significant	↔	✗	High	● Red
Valuation of net pension fund liability	Significant	↔	✗	High	● Green
IFRS 16 leases implementation	Significant	↔	✗	Low	● Red
Risk of fraud in revenue recognition (rebutted)	Significant	↔	✗	Low	● Green
Presumed risk of fraud in expenditure recognition (completeness of non-pay expenditure)	Other	↔	✗	Low	● Green

Key

- ↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan
- Green - Not likely to result in material adjustment or change to disclosures within the financial statements

● Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements

● Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks (1)

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending, and 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 both the Group and Authority, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none">• Evaluated the design effectiveness of management controls over journals;• Analysed the journals listing and determined the criteria for selecting high risk unusual journals;• Identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration. Our primary testing identified entries that could potentially be used to achieve planned budgets, to address risks of senior office manipulation and address findings from the IT Audit (see below);• 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. <p>Our IT Audit identified one significant deficiency (excessive access permissions) and two deficiencies (inappropriate access retention and limited logging & review) in controls relevant to the financial statements. These control deficiencies were factored into our journal strategy and testing.</p>	<p>1. We identified 1 significant control deficiency in our journals testing. We tested a total of 20 journals, and this significant deficiency was found within 9 of the tested journals:</p> <p>Segregation of duties – 9 out of 20 journals tested were found to be posted by an individual outside of their remit. Furthermore, middle management who approved these journals in the system had prepared the journals and instructed the individual to post them, before subsequently approving them in the system. This creates a significant segregation of duties issue within the journal process and raises concerns about potential management override. However, in all 9 cases, there was an additional layer of approval outside of the system, providing assurance that the journals were subject to further scrutiny. We flag this as a significant control deficiency.</p> <p>2. We also identified 2 deficiencies from our testing strategy.</p> <p>Missing journal checklist – The journal checklist was not included in the supporting evidence. Management confirmed this control is not currently performed. While the checklist covers internal quality aspects, (such as ensuring journal descriptions are appropriate, standard naming conventions are used, and entries are in the correct format) we do not consider its absence to present a fraud or material misstatement risk.</p> <p>Incomplete user listing – The journal user listing was inaccurate, with incorrect start and termination dates. Some users marked as terminated were still active. This aligns with IT audit findings around insufficient monitoring of system access. Refer to <i>Audit adjustments</i> section (page 36) for detailed findings.</p>

Significant risks (2)

Risk identified

Valuation of land & buildings – 2024-25 £972m net book value

The Authority 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 using Wilks Head & Eve LLP (WHE) as their valuer. 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 key changes in assumptions.

Management must ensure the carrying value of assets not revalued at year-end is not materially different from the current value at the financial statements date, where a rolling programme is used.

Other land and buildings (OLB) comprises specialised assets which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset. The remainder of OLB is not specialised in nature and is valued at existing use in value.

The total amount of OLB assets revalued at year-end was £624.8m as at 31 March 2025. We therefore identified valuation of land and buildings as a significant risk, particularly around the key assumptions and inputs applied by the valuer at the financial statement date to determine the current value of the assets. As a result, we selected **17 assets for testing covering £290.9m of the £624.8m revalued during the year.**

Audit procedures performed

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 accuracy, completeness and consistency with our understanding;
- Tested revaluations made during the year to see if they have been input correctly to the fixed asset register; 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.

Key observations

Our work in this area is now complete. Testing of the OLB valuation confirmed that it is materially correct, although three non-material issues, causing a £4.4m overstatement in aggregate, were identified (see Audit Adjustments section page 36 for detail).

It is important to note that this work was subject to significant delays due to late receipt of the final valuation report from WHE, compounded by prolonged and partial responses from the valuer. Our assessment of the valuer's competence, objectivity, and compliance with valuation standards has not raised any concerns.

We also agreed with management that the PPE disclosure and Other Land and Building balance are overstated by approximately £1.6m which will be adjusted for. This overstatement is a result of late delivery of final valuations from the valuer. Refer to Audit Adjustments section (page 36) for detail of the adjustment.

Significant risks (3)

Risk identified

Valuation of council dwellings – 2024-25 £ 853.9m net book value

The Authority is required to revalue its social housing in accordance with MHCLG'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.

Management conducted a full revaluation of the housing stock in 2021-22 using the Beacon methodology which is consistent with the Code (full valuation performed within the last 5 years). The valuer reviewed market changes from 1 April 2024 to 31 March 2025 to correctly state the value of HRA stock held by the Authority during the financial period in current terms. Management engaged its valuer Wilks, Head & Eve LLP (WHE) to complete the valuation of these properties.

The total amount of council housing assets **revalued at year-end** 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. As a result, we selected **2 beacon assets and 1 non-beacon asset covering £74.6m of the £219.7m** revalued during the year.

Audit procedures performed

To address the risk, we have:

- Assessed management's processes, assumptions, and instructions to valuation experts, including the scope of their work;
- Evaluated the competence, capabilities, and objectivity of the valuation expert;
- Obtained confirmation from the valuer on the valuation basis to ensure compliance with the Code;
- Engaged our own valuation expert, Lambert Smith Hampton, to provide commentary on:
 - The instruction process against CIPFA/IFRS/RICS requirements; and
 - The valuation methodology, assumptions adopted, and other relevant considerations.
- Challenged the valuer's information and assumptions for completeness and consistency with our understanding;
- Performed sample testing of Beacon properties to confirm representative selection and correct application of valuations to similar assets;
- Compared the estimate to valuation trends for similar London properties; and
- Reviewed management's assumptions for assets not revalued during the year and how they ensured these are not materially different from year-end current value.

Key observations

Our work in this area is now complete. Testing confirmed that the valuation of council dwellings is materially correct. A £2.7m understatement was identified and will be corrected as detailed in Audit Adjustments section (page 36).

Additionally, we noted that management did not apply the WHE 2024-25 HRA market movement change to HRA assets not revalued during the year. Management has now processed this valuation adjustment to ensure carrying values remain materially aligned with market values.

We experienced significant delays in completing this work due to late receipt of the final valuation report, compounded by prolonged and partial responses from the valuer. Our assessment of the valuer's competence, objectivity, and compliance with valuation standards has not raised any concerns.

We also agreed with management that the PPE disclosure and Housing Revenue Account (HRA) balance are overstated by approximately £9m which will be adjusted for. This overstatement is a result of late delivery of final valuations from the valuer. Refer to Audit Adjustments section (page 36) for detail of the adjustment.

Significant risks (4)

Risk identified	Audit procedures performed	Key observations
<p>Valuation of net pension liability – 2024-25 £217m</p> <p>The Authority's share of the pension fund net liability, reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The estimation of the pension fund net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A small change in inputs can have a significant impact on the estimated pension fund liability. Notably the discount rates and inflation rates are key assumptions where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.</p> <p>We 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. We identified the valuation of the Authority's pension fund net liability as a significant risk.</p>	<ul style="list-style-type: none"> To address this risk, we: Updated our understanding of the processes and controls put in place by management to ensure that the Authority'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 Authority's pension fund valuation; Assessed the accuracy and completeness of the information provided by management 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. 	<p>Our audit work is complete, and we note one disclosure misstatement due to the omission of the Virgin Media case, which management has agreed to update in the final accounts (refer to Audit Adjustments section, page 36).</p> <p>We are satisfied that the judgments and estimates made by management regarding the valuation of the net pension liability were appropriate. We found no material misstatement arising from management bias in respect of these judgments and estimates.</p> <p>The prior year issue relating to IFRIC 14 assessment is resolved, management applied the correct accounting treatment.</p> <p>We reviewed the IAS19 assurances from the auditor of the Brent Pension Fund. The pension fund auditor identified the following differences between the fund managers' confirmations and the figures recorded in the financial statements:</p> <ol style="list-style-type: none"> LCIV Infrastructure Fund and LCIV Private Debt Fund were understated by £3.5m; Alinda Infrastructure Parallel Fund III was understated by £0.236m; and Capital Dynamics Generation VII Fund was overstated by £0.025k. <p>This resulted in a total understatement of £3.7m which is below our performance materiality (refer to Audit Adjustments section, page 36).</p> <p>We have not identified any other issues related to this estimate.</p>

Significant risks (5)

Risk identified

IFRS 16 Leases implementation – Right-of-use (ROU) asset closing balance – 2024-25 £19.8m

IFRS 16 Leases is now mandatory for all local government bodies from 1 April 2024. The standard replaced IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – incentives, and SIC-27 Evaluating the substance of transactions involving the legal form of a lease).

Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as ROU assets, representing the right to use the underlying leased assets, and a corresponding liability representing its obligation to make lease payments.

The Code adapts IFRS 16 and requires that the subsequent measurement of the ROU asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.

We considered the implementation of IFRS 16 as other risks, noting the significant changes to disclosures required under the new standard. At year-end, a ROU asset of £19.8m remains in the Authority's balance sheet. The ROU figure is close to materiality and therefore considered a significant risk given the risk of completeness in first year of implementation.

Audit procedures performed

To address the risk, we:

- Documented our understanding of the processes and controls in place by management to ensure that the Authority's ROU assets and corresponding liabilities are not materially misstated. This included understanding steps implemented by management to identify leases impacted by IFRS 16, ensuring completeness;
- Obtained the lease register from management and compared to the prior year to identify any leases omitted.;
- Selected samples where the Authority acted as a lessee and recalculated the beginning balance and lease liability figure ;
- Considered management's rational for classifying lease arrangements as either leases, short-term leases, or low-value leases;
- Reviewed accounting policies and disclosures in relation to IFRS 16; and
- Reviewed disclosures made in the accounts in relation to ROU asset values and lease liabilities to ensure compliance with the requirements of IFRS 16 as adapted in the CIPFA Code.

Key observations

Our work on leases is substantially complete.

As noted on page 13, management recognised ROU assets of £19.8m in the draft accounts. This figure was updated following our testing, which identified a £5.7m error caused by incorrect calculation of the lease liability calculations and a lease (£7m) double counted in both lessees and lessors. Management agreed to correct these errors, refer to the Audit Adjustments section (page 36) for further details.

In our lessors testing, we noted that although rent uplifts were applied, management was unable to provide rent review memorandums to support the uplifts. We raise a control point with management in respect of this, included in the Action Plan (page 53).

Management experienced difficulties preparing the lessee disclosure, requiring the note to be rewritten after audit work had begun due to a significant volume of errors in the underlying data.

There were also delays in providing a complete lessor listing, driven by poor data quality, omission of rent reviews, and a focus on lessees over lessors following IFRS 16 changes.

Other risks (1)

Risk identified	Audit procedures performed	Key observations
<p>Risk of fraud in revenue recognition (rebutted)</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.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • 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. <p>We do not consider this to be a significant risk for the Authority and as such there is no specific work planned for this risk.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none"> • 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; and • Confirmed our understanding of the business process and determine if there are any relevant controls. 	<p>Our audit work is almost concluded, subject to review, and has not identified any issues that would lead us to change our conclusion from the planning stage that the risk of fraud arising from revenue recognition can be rebutted.</p> <p>However, we have one control recommendation where the reconciliation between the OVR310 report and the HB subsidy workbook was not performed, refer to Action Plan section (page 53).</p>

Other risks (2)

Risk identified	Audit procedures performed	Key observations
<p>Presumed risk of fraud in expenditure recognition (completeness of non-pay expenditure)</p> <p>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.</p> <p>There is a risk the Authority 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.</p> <p>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 Authority's expenditure streams, we determine that the risk of fraud arising from expenditure can be rebutted because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate expenditure recognition; • Opportunities to manipulate expenditure are very limited; and • The culture and ethical framework of local authorities, including the London Borough of Brent, mean that all forms of fraud are seen as unacceptable. <p>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.</p>	<p>To address the risk, we:</p> <ul style="list-style-type: none"> • 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. 	<p>In our testing we identified the following:</p> <p>An error of £3.7m was identified where expenditure relating to the 2024–25 financial year was incorrectly recorded in 2025–26, resulting in an understatement of 2024–25 expenditure. Management agreed to adjust for this error (see Audit Adjustments, page 35).</p> <p>Further testing of capital accruals</p> <p>We extended our testing due to the above error and an error of £1.2m identified in creditors.</p> <p>Both errors arose because of a lack of management review of capital accruals during the year. Following our challenge, management produced a capital accruals report, which we tested to assess the extent and impact of this issue. No further errors were identified.</p> <p>We have raised a control recommendation for management to strengthen the review process of capital accruals (refer to Action Plan section, page 53).</p>

05 Other findings

Other findings – significant matters (1)

Management recorded two prior period adjustments (PPAs) for 2024-25 which relate to Property, Plant and Equipment (PPE) and financial instruments.

Issue	Commentary	Auditor view
Prior Period Adjustment (PPA) – Plant, Property & Equipment (PPE)	<p>During 2024-25 management undertook a cleansing exercise of the fixe asset register (FAR) which identified two significant issues within PPE.</p> <ol style="list-style-type: none"> 1. Approximately £19m of assets could not be supported and were written off or disposed of from the FAR. 2. Around £79m of assets were misclassified between PPE categories. <p>Management concluded that these errors existed in both the current and prior years, requiring PPAs to restate prior year comparatives.</p>	<p>We are in the process of completing audit work on the PPA. Our review of the prior year and current year PPE disclosures identified errors in both, and corrections are being agreed with management.</p> <p>We requested supporting evidence for a sample of 11 asset adjustments, covering both disposals and reclassifications, to provide assurance over the FAR cleansing exercise and the PPA entries.</p> <p>Testing identified a material issue with the approach and preparation of management's PPA calculation. The workings assumed that all errors existed prior to 31 March 2023, which our testing confirmed was not the case.</p> <p>Management reviewed the workings and updated the supporting paper and disclosure extracts, which the audit team has now reviewed. However, classification issues identified through our in-year testing of asset transfers indicates that further material reclassifications is required in both the current and prior years. This matter is currently under investigation by management. The issue must be resolved before we can conclude on the appropriateness of the proposed PPA.</p> <p>Management response</p> <p>The council has a created a specific project to review how it records and accounts for assets, which is working on addressing these issues to prevent a recurrence.</p>

Other findings – significant matters (2)

Issue	Commentary	Auditor view
PPA – Financial instruments	<p>A financial instruments PPA impacts several disclosure tables within Notes 24 and 26.</p> <p>In our review of the financial instruments note, we identified issues with management’s assessment of short-term debtors and creditors against the classification and measurement criteria set out in IFRS 9. We challenged the appropriateness of management’s working papers and requested they reassess against the relevant standards. In addition, we identified several further non-material issues within management’s financial instruments working papers.</p> <p>Management opted to complete a full re-assessment of financial instrument Notes 24–26. This review confirmed that material errors existed in both the current and prior year figures for the debtor and creditor balances reported in these notes. Management agreed that a PPA was required to restate the prior year comparators and to correct additional non-material issues across other disclosure lines in the financial instruments notes.</p> <p>Revised versions of Notes 24 and 26 were shared in January 2026, confirming the following material adjustments:</p> <ol style="list-style-type: none"> 1. Note 24 Payables - £30.7m reduction in financial liabilities 2. Note 24 Debtors - £26.4m reduction in financial assets 3. Note 26 updated to reflect all consequential impacts arising from the above adjustments. 	<p>Management prepared revised versions of Notes 24 and 26, on which we performed detailed substantive testing. Our testing provides assurance that the Notes are materially accurate for both the current and prior year disclosures.</p> <p>However, the revised notes did not fully meet the PPA presentation and disclosure requirements of IAS 8. At the time of writing, management is in the process of preparing updated, IAS 8-compliant PPA-adjusted versions for our further review.</p> <p>Management response</p> <p>The council will review its procedures and process for producing the Financial Instruments note to prevent a recurrence of this.</p>

Other findings – information technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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 – main ledger system	Detailed ITGC assessment (design effectiveness only)	<div><div></div><div>Red</div></div>	<div><div></div><div>Red</div></div>	<div><div></div><div>Green</div></div>	<div><div></div><div>Green</div></div>	<p>Management override of control – It was identified there is a risk arising from excessive system administrative permissions granted to business users without clear justification.</p> <p>We addressed this risk in our journal testing and confirmed that none of the users posted journals during the year, eliminating the risk of management override of controls.</p>

Assessment:

- Red

 – Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Amber

 – 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
- Black

 – Not in scope for assessment

06 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any other incidents in the period, and no other issues were identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from management, which is presented as a separate item for presentation along this report. We requested a specific representation in relation to any potential equal pay claims in relation to the Authority.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted, and the requests were sent. We currently await final counterparty responses to conclude our work.
Disclosures	We report disclosure misstatements in at Audit Adjustments section (page 36) of this report. Management corrected all material disclosures issues identified.
Audit evidence and explanations	All information and explanations requested from management were provided.
Significant difficulties	We encountered significant difficulties throughout the audit which has delayed the signing of the audit opinion. See Headlines section (pages 8-11 for more information).

Other responsibilities (1)

Issue	Commentary
Going concern	<p data-bbox="308 301 2517 444">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 2024). 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 data-bbox="308 462 1946 494">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="308 501 2497 758" style="list-style-type: none"> • The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities. • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="308 776 2476 919">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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="308 938 1852 1086" style="list-style-type: none"> • the nature of the Authority and the environment in which it operates; • the Authority’s financial reporting framework; • the Authority’s system of internal control for identifying events or conditions relevant to going concern; and • management’s going concern assessment. <p data-bbox="308 1105 1880 1136">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="308 1155 2058 1222" style="list-style-type: none"> • 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.

Other responsibilities (2)

Issue	Commentary
Other information	<p>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.</p> <p>Our work on the Narrative Report is ongoing, we have no matters to report at this stage.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • 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; and • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have no matters to report.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Note that detailed work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work required and received confirmation from the National Audit Office that the audit of the Whole of Government Accounts consolidation pack for the period ended 31 March 2025 is complete and certified by the Comptroller and Auditor General.</p> <p>We are satisfied that this work does not have a material effect on the financial statements for the period ended 31 March 2025.</p>

07 Audit adjustments

Audit adjustments – adjusted misstatements (1)

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.

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £
1. Property, Plant & Equipment (PPE) – other land & buildings (OLB)				
In reconciling the fixed asset register (FAR) with the final valuer's report, an overstatement of £1.6m was identified within PPE Note 1a.				
Dr. Revaluation Reserve £1.6m		1,600,000		
Cr. Property, Plant & Equipment £1.6m	Nil	(1,600,000)	Nil	Nil
2. PPE – council dwellings				
In reconciling the FAR with the final valuer's report, an overstatement of £9m was identified within PPE Note 1a.				
Dr. Revaluation Reserve £9m		9,038,000		
Cr. PPE – Council dwellings £9m	Nil	(9,038,000)	Nil	Nil
3. Expenditure cut-off				
We identified an error of £3.7m where a transaction relating to 2024-25 was incorrectly recorded in the 2025-26 financial year.				
Dr. PPE Additions £3.7m		3,677,000		
Cr. Creditors £3.7m	Nil	(3,677,000)	Nil	Nil

Audit adjustments – adjusted misstatements (2)

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £
4. IFRS16 – Leases				
Adjustment for lease errors results in a £7m correction to lease liability and PPE additions. Duplication of Alpertown Playground (£6.5m): Lease incorrectly included in both lessees and lessors.				
<u>ROU Note X / Lease liability:</u>				
Dr. Lease liability £7m		7,000,000		
Cr. PPE additions £7m		(7,000,000)		
Dr. Accumulated depreciation £0.3m				
Cr. Depreciation expense £0.3m	(300,000)	300,000		
Dr. Depreciation expense £0.3m	300,000			Nil
Cr. CAA £0.3m				
<u>Interest expense:</u>				
Dr. Lease liability £0.1m	300,000	100,000	300,000	
Dr. Rental payments £0.3m	(400,000)		(400,000)	
Cr. Interest expense £0.4m				Nil
(Continued overleaf)				

Audit adjustments – adjusted misstatements (3)

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £
4. IFRS16 – Leases (continued)				
IFRS 16 lessee lease liability calculations – audit review identified an incorrect Excel formula used to calculate net present value (NPV) for lease liabilities, despite the underlying judgement being correct. Audit recalculated the figures using the correct PV method and identified an accumulated error overstatement of £5.7m, demonstrated in the supporting working papers. Although the error is not material in the current year, it could become material in future periods and interact with other unadjusted errors. Management agreed to adjust the calculation to ensure accurate carry-forward balances in future years.				
DR Lease liability £5.7m		£5,760,059		
CR Right of Use assets £5.7m		(£5,760,059)		Nil

Audit adjustments – adjusted misstatements (4)

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £
5. HRA valuation				
In testing the HRA valuations, we identified an error within and limited too the way in which the valuer calculated the Beacon values for Dickens House.				
Dr. HRA assets £2.7m		2,681,250		
Cr. Revaluation Reserve £2.7m		(2,681,250)		Nil
6. Short-term creditors				
1 sample item tested was an error relating to a duplicate purchase order. This issue is isolated to capital creditors within the Procure-to-Pay process.				
Dr. Creditors £1.3m		1,347,074		
Cr. PPE additions £1.3m		(1,347,074)		Nil
7. Other land & building (OLB) valuation				
In testing OLB valuations we a Building Cost Information Service (BCIS) error within the Civic Centre valuation which led to a £3.1m overstatement within PPE.				
Dr. Revaluation Reserve £3.1m		3,100,000		
Cr. PPE OLB assets £3.1m		(3,100,000)		Nil

Audit adjustments – adjusted misstatements (5)

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £
8. Garages valuation				
Management requested an ad-hoc revaluation for a block of garages to provide audit evidence. The valuation determined the valuation of the block of garages valuation in the FAR was significantly different to market value. An increase of £6.9m to the existing carrying value was processed.		6,893,907		
Dr. PPE OLB assets £6.9m		(6,893,907)		Nil
Cr. Revaluation Reserve £6.9m				
9. HRA properties not revalued in-year				
HRA properties not revalued during the year are undervalued by £19.8m.				
Dr. HRA assets £19.8m		19,791,000		
Cr. Revaluation Reserve £19.8m		(19,791,000)		Nil
Overall impact of adjusted misstatements	(100,000)	400,000	(100,000)	Nil

Audit adjustments – misclassification & disclosure (1)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been adjusted by management.

Disclosure	Misclassification or change identified	Adjusted?
Statement of accounting policies – 4.1	Accounting policy 4.1: Inventories and long-term contracts was included as a disclosure within the Note but the Authority does not hold inventory. Management agreed to remove this disclosure note from the accounting policies.	Yes
Note 38 – Fair value	The entirety of Note 38 - Fair value was omitted from the draft financial statements. Management has since provided an updated Note 38.	Yes
Note 32-37 – Pensions	There was an omission of disclosure relating to the Virgin Media case in the pension Notes. Given the impact of the Court of Appeal's decision and the government's confirmation that it intends to introduce legislation allowing affected pension schemes to retrospectively obtain written actuarial confirmation between 6 April 1997 and 5 April 2016, management concluded it was appropriate that the Virgin Media case should be included in the disclosure.	Yes
Revenue expenditure narrative	We noted a variance of £2.7m in Housing Revenue Account (HRA) between the Outturn Report and revenue expenditure in the draft financial statements of £4.9m and Note 14 Expenditure & Funding Analysis of £2.2m. The difference in the Outturn Report is due to timing, with £4.9m an estimate included at the time. Management confirmed that the HRA should read £2.2m as per the HRA Note.	Yes
Note 12 - Financing & investment Income and Expenditure	The figures stated in Note 12 for pensions interest and interest receivable were reversed when compared to the ledger. Management confirmed this was an error and will update correct figures in the financial statements.	Yes
Group PPE Note	An inconsistency was found between the Single Entity Accounts and the Group Accounts with the £30.2m Impairment Losses/(Reversals) recognised in the Surplus/Deficit in the wrong line in the Group Accounts.	Yes
Group Cash Flow Statement	In auditing the Movement in Reserves Statement, we identified an error in the Group Accounts within the Group Cash Flow Statement line Surplus/Deficit on Provision of Services. The draft accounts reported a figure of £104.7m, which will be corrected to £101.3m. The adjustment will not impact other Notes and is limited to this line item.	Yes

Audit adjustments – misclassification & disclosure (2)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Note 27 – Alperton Bus Garage	Management disclosed Alperton Bus Garage in the leases note rather than the capital commitments note, as the £7m liability was already included there. No prior period adjustment is required under IFRS 16, so this disclosure will be removed from the capital commitments note in the 2024-25 financial statements.	Yes
Note 1d – updated Note	Management confirmed Note 1d (Valuation breakdown) was incorrect and provided a revised note, which we have reviewed and found materially appropriate.	Yes
Note 1a – Reclassification	Management reviewed the fixed asset register and reclassified approximately £4.8m of assets from council dwellings to other land & building as the assets were acquired under the Local Authority Housing Fund (LAHF) for temporary accommodation, which is held on the General Fund rather than the HRA.	Yes
Note 28 – PFI	Issues were identified in both the PwC PFI data and the Stonebridge PPP allocation, where outdated figures in the PFI model were incorrectly included in journals and some calculations continued to use IAS 17 instead of IFRS 16, causing inconsistencies. In addition, the Stonebridge PPP calculation incorrectly allocated amounts to interest rather than lease liability repayments, resulting in inaccurate journal entries.	Yes
Note 19 – Grant income	Management confirmed that an amount of £5.75m relating to schools will be added to the final version of Note 19. This amount exists on the trial balance but was omitted from Note 19 due to a consolidation issue.	Yes
Remuneration Report – Schools' exit packages	Incorrect disclosure of schools' exit package, where packages were incorrectly classified in the cost bandings. This only impacts schools' exit packages which were based on the bandings of the gross salary of the individual leaving, not the value of the exit package.	Yes

Audit adjustments – misclassification & disclosure (3)

Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified	Adjusted?
Notes 24 and 26 – Financial instruments	<p>Substantial re-work of the financial instruments disclosures (Notes 24–26) was driven both by errors in the original preparation and by wider issues identified during the audit, such as those relating to leases, which had consequential impacts on the disclosures. Management has provided revised versions of Notes 24 and 26 (confirming that no amendments are required to Note 25). We are materially satisfied with the revisions to current year figures presented.</p> <p>Given this issue materially impacts prior year comparators, management has made adjustments and prepared an IAS 8 compliant prior period adjustment note. The comparators are adjusted by the following amounts:</p> <ul style="list-style-type: none"> Reduction of £36.7m to the total financial liabilities defined as the financial instruments balance (includes changes to the payables and PFI lines). Reduction of £26.4m to the total financial assets defined as the financial Instruments balance (includes changes to the debtors and cash & cash equivalents lines). 	Yes

Audit adjustments – unadjusted misstatements (1)

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
1. Movement in Reserves Statement (MIRS)					
A £2.4m error was identified where Section 106 and Community Infrastructure Levy contributions were recorded as income but should be credited to Capital Grants Unapplied, with expenditure financed from Capital Grants Unapplied. Instead, the financing taken from below the line in the CIES, causing a £2.4m imbalance in the MIRS during the year, although no impact on the year-end balance.					The error is not material
Dr. Adjustments between accounting basis and funding basis under regulations £2.4m		2,400,000			
Cr. Capital Grants Unapplied £2.4m		(2,400,000)			
Dr. Capital Grants Unapplied £2.4m		2,400,000			
Cr. Capital Adjustment Account £2.4m	Nil	(2,400,000)	Nil	Nil	

Audit adjustments – unadjusted misstatements (2)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
2. Pension liability <p>The pension fund auditor's testing of level 3 investments identified the following discrepancies between the fund managers' confirmations and the figures recorded in the financial statements:</p> <ol style="list-style-type: none"> 1. LCIV Infrastructure Fund and LCIV Private Debt Fund understated by £3.5m; 2. Alinda Infrastructure Parallel Fund III understated by £0.236m; and 3. Capital Dynamics Generation VII Fund overstated by £0.025m. <p>Total understatement of £3.7m in the Authority's pension assets.</p> <p>Dr. Pension Fund liability £3.7m</p> <p>Cr. Actuarial gains on pension assets and liabilities £3.7m</p>					Error is estimated and not material
	(3,700,000)	3,700,000	(3,700,000)	Nil	

Audit adjustments – unadjusted misstatements (3)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
3. Short-term creditors					
Testing identified two failed creditor transactions; one relating to an over-accrual already paid prior to year-end; and the other relating to a duplicate purchase order. These errors resulted in a total projected overstatement of £1.2m.					Immaterial therefore, not deemed significant to correct.
Dr. Short-term creditors £1.2m	Nil	1,203,805	Nil	Nil	
Cr. PPE additions £1.2m		(1,203,805)			
4. PPE disposals testing					
Testing identified two failed disposals assets: one relating to lack of supporting evidence; and an IT system disposed that remains in use.					Immaterial therefore, not deemed significant to correct.
Dr. PPE £3.6m		3,630,219			
Cr. Accumulated depreciation £3.6m	Nil	(3,630,219)	Nil	Nil	

Audit adjustments – unadjusted misstatements (4)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
5. Long-term investments					
A misstatement has arisen in respect of the I4B equity investment, as management used the I4B draft accounts to estimate the fair value movement. However, during the I4B audit a £2.8m adjustment was made to net assets, revising the equity investment balance.					Immaterial therefore, not deemed significant to correct.
Dr. Expenditure £2.8m	2,878,181				
Cr. Long-term investments £2.8m		(2,878,181)			
Dr. Capital Adjustment Account (unusable reserves) £2.8m				2,878,181	
Cr. MIRS – General Fund £2.8m			Nil	(2,878,181)	
6. Other land & building (OLB) valuation					
1. Location factor: The valuer applied an incorrect location factor to 12 depreciated replacement cost valuations, resulting in a £1m overstatement.					On an individual asset basis, the error is trivial. On an aggregate basis the error is nearly trivial.
2. Affordable Homes: A formula error in one valuation failed to account for the reduced amounts applicable to affordable homes, £0.3m overstatement.					Therefore, not deemed significant to correct.
Dr. Revaluation Reserve £1.3m					
Cr. PPE OLB £1.3m		(1,300,000)	Nil	Nil	
Overall impact of unadjusted misstatements	(821,819)	(478,181)	(3,700,000)	Nil	

Impact of unadjusted misstatements in the prior year (1)

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023-24, and the resulting impact upon the 2024-25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024-25 financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
1. Pension liability					
From the pension fund auditor's testing of level 3 investments, the following discrepancies were identified between the fund managers' confirmations and the figures recorded in the financial statements:					Error is estimated and not material
1. The LCIV Infrastructure Fund is understated by £845,042;					
2. The Alinda Infrastructure Parallel Fund III is understated by £363,111; and					
3. Capital Dynamics investments are understated by an aggregate variance of £1,014,954.					
Overall, the total assets are understated by £2.2m in the pension fund accounts. The Authority's share of these assets is 86%, resulting in an understatement of £1.9m in the Authority's pension assets.					
Dr. Pension fund liability £1.9m					
Cr. Actuarial gains on pension assets and liabilities £1.911m	(1,911,000)	1,911,000	(1,911,000)	Nil	

Impact of unadjusted misstatements in the prior year (2)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
2. Property, Plant & Equipment					
In reconciling the fixed asset register (FAR) with the revised valuer's report, a discrepancy of £3.2m was identified. Management is unable to provide justification or rectify the difference.					Not material
Dr. Property, Plant & Expenditure £3.225m		3,225,000			
Cr. Revaluation Reserve £3.225m	Nil	(3,225,000)	Nil	Nil	
3. Cash & Cash Equivalents					
We identified a cumulative unreconciled difference of £0.891m between the bank balance per the general ledger/trial balance and the bank confirmations.					Not material
Dr. Cash & Cash Equivalents £0.891m		891,000			
Cr. Receivables £0.891m	Nil	(891,000)	Nil	Nil	

Impact of unadjusted misstatements in the prior year (3)

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Impact on general fund £	Reason for not adjusting
4. Property, Plant & Equipment The valuer used an incorrect area of 0.62 hectares in the valuation calculations instead of the correct area of 0.82 hectares. This 0.2 hectare difference results in an understatement in the asset value of £1.7m. Dr. Property, Plant & Equipment £1.7m Cr. Revaluation Reserve £1.7m	Nil	1,700,000 (1,700,000)	Nil	Nil	Not material
5. Short-term Creditors We found that 4 of our samples were not actually a creditor. We identified a factual misstatement of £253,519. After extrapolating these errors, we projected an overstatement of £3,184,603. Dr. Short-term Creditors £3.185m Cr. CIES £3.185m	(3,185,000)	3,185,000	(3,185,000)	Nil	Not material
Overall impact of prior year unadjusted misstatements	(5,096,000)	5,096,000	(5,096,000)	0	

Impact of unadjusted misstatements in current and prior years

The table below considers the overall impact of unadjusted misstatements in current and prior years.

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Conclusion
Overall impact of unadjusted misstatement in the current year	(821,819)	(478,181)	(3,700,000)	Impact not material in current year.
Overall impact of unadjusted misstatement in the prior year	(5,096,000)	5,096,000	(5,096,000)	Impact not material in prior year, no change in net expenditure position in current year.
Net expenditure impact	(5,917,819)	4,617,819	(8,796,000)	The impact of prior period and/or current period unadjusted misstatements is not material and does not change the reported position of Authority.

08 Action plan

Action plan – financial statements audit (1)

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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
<div><div>●</div><div>High</div></div>	<p>1. Journal poster and approver</p> <p>9 out of 20 journals tested were found to be posted by an individual outside of their remit. Furthermore, managers who approved these journals in the system had prepared the journals and instructed the individual to post them, before subsequently approving them in the system. For the 9 journals identified, we confirmed that an additional level of approval was obtained outside the Oracle system.</p> <p>This creates a significant segregation of duties issue within the journal process and raises concerns about potential management override. We flag this as a significant control deficiency as we cannot confirm whether the additional approval was consistently applied across all cases.</p>	<p>We recommend that journals should be prepared and posted by individuals who understand the content and have the appropriate remit. Those approving journals should not be involved in their preparation or posting. Managers should avoid instructing junior colleagues to post journals on their behalf, especially if they intend to approve them.</p> <p>Management response</p> <p>We will review controls for journals and issue a revised Required Financial Practice Note in 2025-26 and provide training to finance staff to ensure that the required controls are understood.</p>

- Key
- **High** – Significant effect on control system and/or financial statements
 - **Medium** – Limited impact on control system and/or financial statements
 - **Low** – Best practice for control systems and financial statements

Action plan – financial statements audit (2)

Assessment	Issue and risk	Recommendations
<p>● High</p>	<p>2. IFRS16 – Leases</p> <p>Our testing of lessee arrangements identified several minor errors that indicate management’s processes for preparing the lease note require improvement. Although individually immaterial, these issues resulted in significant additional audit work and highlight weaknesses in oversight, exacerbated by staff turnover, which increases risk of material errors in future years. The following issues were identified:</p> <ul style="list-style-type: none"> Leases incorrectly included in both lessor and lessee schedules; and incomplete listings provided. Lease note required significant revision to ensure accuracy and compliance. Multiple conflicting versions of the lessor note shared with audit. Leases were marked ‘unspecified’ where contracts could not be located and no payments were made. Overstatement of rent expense led to an incorrect minimum revenue provision charge. Incorrect or incomplete application of PWLB rates; and use of implicit interest rates instead of PWLB rates. Incorrect assumption that all new leases commenced on 1 April. 	<p>We recommend that management strengthens lease management processes to ensure a more consistent and streamlined approach in future years. This should include:</p> <ul style="list-style-type: none"> Clear and comprehensive documentation of lease arrangements. Implementation of appropriate review and approval controls. Training to ensure compliance with relevant standards and reduce the risk of errors. A thorough review undertaken of the lease working papers to ensure accuracy and consistency. <p>Management response</p> <p>Management will undertake a comprehensive review of the Council’s lease accounting processes to ensure they are robust and clearly documented. This documentation will include detailed guidance for key stakeholders on their responsibilities for record-keeping and the correct application of interest rates. To strengthen oversight and accuracy, all lease working papers will undergo a formal review and approval by the Head of Finance prior to submission. In addition, an enhanced business process will be implemented to prevent duplication of leases across lessor and lessee schedules, ensuring data integrity and consistency.</p> <p>To build capability and reduce the risk of future errors, targeted training will be delivered to relevant staff to reinforce compliance with IFRS 16 requirements and internal procedures.</p>

Key ● **High** – Significant effect on control system and/or financial statements

● **Medium** – Limited impact on control system and/or financial statements

● **Low** – Best practice for control systems and financial statements

Action plan – financial statements audit (3)

Assessment	Issue and risk	Recommendations
<div> <div></div> <div>Medium</div> </div>	<p>3. Inconsistencies throughout the statement of accounts</p> <p>We identified variances between the prior year signed financial statements and the prior year comparatives included in the 2024-25 draft financial statements. There were also inconsistencies between related notes that should align. Management attributed these differences to rounding; however, variances ranged from £0.3m to £0.5m (typically, we only consider rounding differences of approximately £0.1m). Such inconsistencies may cause confusion for readers of the financial statements.</p>	<p>Management should enhance its review process of the draft accounts to ensure consistency throughout. This includes:</p> <ul style="list-style-type: none"> Aligning figures between relevant notes within the financial statements. Ensuring prior year signed accounts agree with prior year comparatives presented in draft financial statements. <p>Management response</p> <p>The Council will review its processes for these to see how these small inconsistencies can be addressed.</p>
<div> <div></div> <div>Medium</div> </div>	<p>4. Journal user listing</p> <p>The journal user listing was inaccurate, with incorrect start and termination dates. Some users marked as terminated were still active. This issue also aligns with IT Audit’s findings, which highlighted the risk that management does not currently monitor who is logging into the Oracle system.</p>	<p>We recommend that management implements stronger controls to be clear on who has access to the system.</p> <p>Management response</p> <p>The report for Journal Users has now been updated to only include active workers and exclude pending workers (which was the case in the audit finding). We can report at any time who has logged into Oracle and at present we monitor this on a quarterly basis to check those users who have not logged in over 90 days that their access is made inactive after contacting their managers to check if they may be on long-term absence.</p>

- Key

High

Medium

Low

– Significant effect on control system and/or financial statements

– Limited impact on control system and/or financial statements

– Best practice for control systems and financial statements

Action plan – financial statements audit (4)

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>5. Capital grants received in advance</p> <p>Due to time pressures, management did not complete work on capital grants received in advance and it was not included within the draft financial statements. The capital grants received in advance figure is immaterial. We have performed additional work to gain assurance that the omission does not cause material misstatement of the accounts.</p>	<p>We recommend that the capital grants received in advance work is concluded in conjunction with production of the draft financial statements.</p> <p>Management response</p> <p>We will review the timetable to ensure this is included for 2025-26.</p>
<p>● Medium</p>	<p>6. Capital accruals</p> <p>In our creditors and expenditure completeness testing, 3 errors were identified arising from management not completing their year-end review of capital accruals. The absence of these reviews results in incorrect recording of expenditure and increases the risk of material misstatement in the financial statements.</p>	<p>We recommend that management completes an annual review of capital accruals.</p> <p>Management response</p> <p>Management acknowledges the audit finding and agrees with the recommendation. A formal review of capital accruals will be incorporated into the year-end timetable to ensure completeness and accuracy of financial reporting including:</p> <ul style="list-style-type: none"> • Adding a mandatory review and sign-off step for all capital accruals within the year-end process. • Aligning the review process with the finance team's year-end close schedule to ensure timely completion. • Communicating the revised procedure and training with Finance and service teams ahead of the 2025-26 year-end close.

Key

- **High** – Significant effect on control system and/or financial statements
- **Medium** – Limited impact on control system and/or financial statements
- **Low** – Best practice for control systems and financial statements

Action plan – financial statements audit (5)

Assessment	Issue and risk	Recommendations
<div> <div></div> <div>Medium</div> </div>	<p>7. Reconciliation between OVR310 and HB subsidy workbook</p> <p>We noted one customer and client receipts key sample with the difference of £48,607 between the OVR310 report and the NEC final HB workbook. Management explained that this discrepancy is due to timing differences between the subsidy year closing and the financial year-end, which are not perfectly aligned. The OVR310 report is run based on the financial year.</p>	<p>We recommend that management performs a reconciliation between the OVR310 report and HB subsidy workbook at year-end.</p> <p>Management response</p> <p>The OVR310 report and HB subsidy workbook will be reconciled at the year-end.</p>
<div> <div></div> <div>Medium</div> </div>	<p>8. Intangible assets not amortised</p> <p>Management identified that five assets with finite useful lives were not amortised during the year due to the incorrect useful life set up in the system. We re-performed management’s workings to confirm this finding and did not identify other instances.</p> <p>These assets currently have a net book value of £1.1m which is a trivial overstatement of the balance sheet for 2024-25. While the impact is immaterial for the current year, if not addressed by management, there is a risk that this issue could become material in future periods.</p>	<p>We recommend that management reviews and validates the useful lives of intangible assets on an ongoing basis.</p> <p>Management response</p> <p>We will review assets with missing useful lives and ensure that these are updated in 2025-26.</p>

- Key

High

Medium

Low

– Significant effect on control system and/or financial statements

– Limited impact on control system and/or financial statements

– Best practice for control systems and financial statements

Action plan – financial statements audit (6)

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>9. ‘Last revalued’ record omitted from Asset Manager</p> <p>In our PPE valuations work we are required to assess the level of uncertainty within the assets not revalued during the year.</p> <p>Asset Manager does not have a dedicated ‘Last revalued’ date functionality, which makes this exercise difficult. A ‘Last effective’ date column exists which can be used as a proxy for when an asset is last revalued, but it is not 100% accurate – the date may be updated or changed for reasons not as a result of a revaluation.</p> <p>We have gained assurance that the assets not revalued in 2024-25 are materially correct, however in order to arrive at this assessment, additional audit work was required.</p>	<p>Management should introduce an ‘Asset last revalued’ column in Asset Manager to ensure asset valuation dates are maintained.</p> <p>Management response</p> <p>We have asked the supplier of our asset register if this is functionality that is currently available, and will use this if available</p>
<p>● Medium</p>	<p>10. Depreciation policy</p> <p>In testing asset disposals we identified a trivial error of £0.245m relating to an IT system disposed during the year but is still in use. This issue arose due to the Authority’s depreciation policy, which fully depreciates assets even when they remain in use. This issue could extend to other assets that have been fully depreciated but remain operational.</p>	<p>Management should review the depreciation policy, particularly for IT systems, and implement a process to update and review the FAR when assets are replaced. Assets should be split into relevant components based on their expected useful lives to ensure accurate depreciation.</p> <p>Management response</p> <p>The asset project will work with the Shared Technology service to establish a process for maintaining an inventory of all the assets (both hardware and software) they own to provide their service to the Council. This will also include a requirement for them to provide an updated useful life each year.</p>

Key

- **High** – Significant effect on control system and/or financial statements
- **Medium** – Limited impact on control system and/or financial statements
- **Low** – Best practice for control systems and financial statements

Action plan – financial statements audit (7)

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>11. Rent review memorandum</p> <p>In testing lessor leases, we noted that rent uplifts were applied but management was unable to provide rent review memorandums or other written confirmation evidencing review and authorisation. In our view this is a control deficiency in the documentation and retention of rent reviews, increasing the risk of unauthorised or incorrect rent changes.</p>	<p>Management should implement a formal rent review control and documentation process that ensures every uplift is documented and authorised.</p> <p>Management response</p> <p>Property has a current process for ‘market based’ rent reviews that is supported by valuation reports and delegated authority approvals. Property plans to address this recommendation by expanding this process to also cover indexation rent reviews. Management will implement an internal delegated authority-style sign-off for CPI/RPI indexation cases as well. This would evidence verification of the CPI data and calculation.</p>
<p>● Medium</p>	<p>12. Delayed responses to legal inquiries</p> <p>When we requested responses from law firms regarding litigations and claims involving the Authority, we encountered significant delays. Several firms were unwilling to answer audit-related questions. Additionally, response times were very slow, which caused delays to the audit process and required extensive follow-up from the audit team.</p>	<p>We recommend that management clearly communicates to all legal firms it engages with that they are expected to respond promptly to audit queries and provide complete answers. This expectation should be set out at the start of any engagement to avoid delays.</p> <p>Management response</p> <p>The Council accepts the recommendation.</p>

Key

- **High** – Significant effect on control system and/or financial statements
- **Medium** – Limited impact on control system and/or financial statements
- **Low** – Best practice for control systems and financial statements

Action plan – financial statements audit (8)

Assessment	Issue and risk	Recommendations
● Low	<p>13. School's expenditure reconciliation</p> <p>In testing schools' expenditure, we identified a trivial difference of £0.551m between the accounts and the transaction listing. This variance was due to an omission from the listing relating to a school that converted to academy status in September 2024. There is no formal reconciliation between the between listings provided for audit and the accounts.</p>	<p>Management should carry out reconciliations between listings provided for audit and the accounts to ensure all relevant transactions are captured and explore any variances.</p> <p>Additionally, management should review all schools that converted to academy status during the year to confirm they are accounted for properly at year-end.</p> <p>Management response</p> <p>Reconciliations between listings provided for audit and the accounts will be formally completed as part of the year-end close process to ensure completeness and to identify and resolve any variances on a timely basis. In addition, management will implement a review of all schools converting to academy status during the year to confirm they are appropriately accounted for at year-end.</p>
	<p>14. Misclassification of action reason for work hour changes</p> <p>The changes in circumstances reports include entries under the 'Action reason' column marked as 'Change in work hours'. However, entries do not always reflect an actual change in total weekly working hours or FTE.</p> <p>Management confirmed that managers often select the incorrect action reason when submitting changes, or errors occur when payroll staff record and process these changes. Management clarified that the report is used solely for audit purposes and does not impact the accounts.</p>	<p>We recommend management introduces guidance and training for managers and payroll staff responsible for inputting payroll changes. We also recommend that these changes are reviewed following the change being made.</p> <p>Management response</p> <p>We are introducing Oracle Guided Learning (OGL) for the Oracle Change of Contract process. This will prompt managers to use the correct Action Types and Action Reasons when submitting a request. This will work across all change of contract types and hope to have this implemented by 31 January 2026.</p> <p>The new report (mentioned in action plan issue 8 above) will show all change of contract transactions for a given period with the status of each, and will also show each level of approver on completed changes. Will look to have this implemented by 28 February 2026.</p>

Key

- **High** – Significant effect on control system and/or financial statements
- **Medium** – Limited impact on control system and/or financial statements
- **Low** – Best practice for control systems and financial statements

Action plan – financial statements audit (9)

Assessment	Issue and risk	Recommendations
<div> <div>●</div> <div>Low</div> </div>	<div>15. Journals checklist</div> <p>Management’s journal processes require a journals checklist to be included as part of supporting journal evidence. We identified instances where the checklist was not included.</p> <p>In discussion with management, we understood that the quality control process is intended to include a review of journal entries and their supporting documentation, including the checklist. Where evidence is insufficient, the journal poster will be held accountable.</p> <p>Management confirmed that this control is not currently being performed. We reviewed the contents of the journal checklist and consider it an important element of the Authority’s internal processes. However, we do not believe its absence significantly increases the risk of fraud or material misstatement in the financial statements.</p>	<p>We recommend that that management ensures the journal checklist is included within the support evidence for every journal posted and that the relevant review around the checklist is performed per the journal postings process.</p> <div>Management response</div> <p>Management will review the controls for journals and issue a revised Required Financial Practice Note in 2025-26 and provide training to finance staff to ensure that the required controls are understood.</p>

- Key

● High

– Significant effect on control system and/or financial statements

● Medium

– Limited impact on control system and/or financial statements

● Low

– Best practice for control systems and financial statements

Action plan – financial statements audit (10)

Assessment	Issue and risk	Recommendations
<p>● Low</p>	<p>16. Completeness of change in circumstances reports / retrospective payroll change reporting</p> <p>In sampling from the payroll changes in circumstances (CICs) listings, we noted that the 2024-25 reports have CICs with effective start dates dating back to 2021, hence showing changes occurring in previous financial years. Management informs that managers often submit payroll requests for changes retrospectively, contributing to incomplete listings for each financial year.</p> <p>We challenged management, who confirmed that the report is only used for audit purposes and therefore does not impact the accounts.</p>	<p>We recommend that managers should always report changes to employee assignments to payroll in a timely manner – immediately after manager approval, and the payroll team should ensure prompt processing of changes.</p> <p>In addition, managers should ensure justification of retrospective payroll changes is documented and approved and complete monthly review/reconciliation of pending payroll changes.</p> <p>Management response</p> <p>The Oracle change of contract process does follow an approval workflow where different levels of approval are required before any request is processed by payroll.</p> <p>Payroll promptly actions all changes within any payroll window to ensure payment in the following payroll period. Payroll saves any-off Oracle approvals in the Payroll Input folder showing the justification for the change and who it was approved by.</p> <p>We will look to develop a new report which shows all change of contract transactions for a given period with the status of each e.g. whether it's completed or pending approval. Will look to have this implemented by 28 February 2026.</p>

Action plan – IT Audit (1)

Our IT Audit findings are set out on page 30 of this report. 3 significant deficiencies within IT controls relevant to the audit of the Authority’s financial statements were identified in the area of security management. Below we outline the findings and associated recommendations.

Assessment	Issue and risk	Recommendations
● High	<p>1. Excessive system administrative permissions assigned to business users</p> <p>During IT Audit's review of Oracle Fusion it was noted that certain business users, primarily from the HR and Payroll teams, were assigned system roles that included permissions for 'Manage menu customisations' and 'Functional setup manager'. Management was unable to confirm whether the users required all of the assigned permissions for their job responsibilities, as these permissions appear to include system administrative access and may provide elevated privileges beyond what is necessary for their business functions.</p> <p>The risk here is where system administrative permissions are assigned to business users without clear justification, there is a risk of unauthorised or unintended changes being made to system configurations. This may compromise system integrity, weaken segregation of duties, and increase the likelihood of errors or misuse of privileged access.</p>	<p>We that management enhances the existing Quarterly Logical Access Review process by incorporating a review of the detailed permissions within user roles, not just the role assignments themselves. This review should ensure that:</p> <ul style="list-style-type: none">• Roles assigned to users remain appropriate for their job responsibilities; and• The permissions embedded within each role are valid, necessary, and do not grant excessive or administrative access beyond what is required. <p>Any roles or permissions deemed inappropriate should be promptly adjusted or removed to uphold the principle of least privilege and maintain robust access controls.</p> <p>Management response</p> <p>We will review all the relevant roles and remove the administrative roles which they may not require for their job, ensuring that users can continue to carry out the necessary activities as part their normal duties.</p> <p>This will need to split into separate stages including review of the roles, feasibility to remove permissions, testing to ensure users can carry out their activities. Work has already progressed to develop this with full implementation expected in February 2026</p>

- Key
- **High** – Significant effect on control system and/or financial statements
 - **Medium** – Limited impact on control system and/or financial statements
 - **Low** – Best practice for control systems and financial statements

Action plan – IT Audit (2)

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Medium</div>	<p>2. Unnecessary system permissions not revoked promptly following user position change</p> <p>During IT Audit's review, it was identified that a user who had transitioned from a financial to a non-financial role retained certain financial system permissions beyond the effective date of the role change. Management clarified that although some financial system roles were not removed, the permissions could not be used to make changes to system data without other roles that had already been revoked.</p> <p>Where system access is not promptly updated following a change in user role, there is a risk that individuals may retain inappropriate access, potentially enabling unauthorised or erroneous transactions. Additionally, such accounts could be exploited by other users to bypass internal controls.</p>	<p>We recommend that management should enhance the Daily Position Change Check process to ensure that all permissions inconsistent with the user’s new role are fully and promptly removed. This should include reviewing the current process to confirm that it captures all relevant permissions for removal and that the revocation is consistently executed and documented for each identified case.</p> <p>Management response</p> <p>There is a currently a process for checking position changes on a daily basis, where unnecessary roles will be removed. The example identified was a manual check that was missed. Additional training has been completed and process notes have been reviewed to ensure that the process is followed consistently going forward.</p>

- Key

● High

– Significant effect on control system and/or financial statements
- Medium

– Limited impact on control system and/or financial statements
- Low

– Best practice for control systems and financial statements

Action plan – IT Audit (3)

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>3. Limited user access logging and monitoring</p> <p>During IT Audit's review, it was noted that system logging for user access and activity was limited. Specifically, the logs to capture user login history and record significant actions performed within the system were not enabled. Furthermore, there was no formal process in place for the routine monitoring of user activities, particularly for high-risk users. This hinders the timely identification of suspicious behaviour or unauthorised access and delayed appropriate remedial action.</p> <p>Without formal and regular reviews of system access and activity logs, inappropriate or anomalous user behaviour may go undetected. This increases the risk of unauthorised changes to configurations or data, particularly by privileged users, and may delay investigation and corrective action in the event of a security incident.</p>	<p>It is recommended that management considers enabling the Security Configuration Changes audit report in Oracle Fusion to capture key modifications to roles, privileges, and access policies. Management may also consider developing customised audit trails that reflect the Authority's specific operational and risk requirements.</p> <p>A formal, documented process should be established for the independent and periodic review of audit logs. This process should clearly define responsibilities, review criteria, and escalation protocols. It is further recommended that the scope of these reviews include privileged and administrative accounts to ensure adequate oversight of high-risk access. Identified issues should be investigated, with remedial actions taken and documented to support accountability and strengthen the control environment.</p> <p>Management response</p> <p>We will look to develop a report which shows user login history. These reports will be reviewed regularly to ensure users with administrative roles are only accessing the system in line with their job roles, to ensure only relevant active users are logging into the system. We will also look to review the capability within oracle to see if reporting on key modifications in the system routinely is feasible and review a process around this. We have carried out a review of audit logging for the specific business areas with their leads across all financially critical areas and has been found to be sufficient. Work has already progressed to develop this with full implementation expected in February 2026.</p>

- Key**
- **High** – Significant effect on control system and/or financial statements
 - **Medium** – Limited impact on control system and/or financial statements
 - **Low** – Best practice for control systems and financial statements

Follow up of prior year recommendations (1)

We identified the following issues in the audit of the Authority’s 2023-24 financial statements, which resulted in 6 recommendations being reported in our 2023-24 Audit Findings Report. Management has implemented 3 of our recommendations with 3 recommendations in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	<p>1. FTE changes in circumstances (<i>assessed as medium risk</i>) – In the prior year, in our changes in circumstances testing we identified one case which was a valid change but missed the appropriate approval. We raised a management action point (control weakness).</p> <p>Similarly, in the current year we tested 12 samples of FTE change in circumstances. 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.</p> <p>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.</p> <p>Recommendation – Management should review FTE reports to ensue that the FTE CiCs are updated in a timely and accurate manner.</p>	<p>This new report has been developed and is now in use as and when required. The report shows all assignment changes for any given period(s) and matches with what is shown on the Oracle history screens.</p> <p>The FTE report is now also in use and includes all current employees as well as any leavers in a given period(s).</p>

Follow up of prior year recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p>2. Property, plant & equipment (PPE) (assessed as medium risk) – 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.</p> <p>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.</p> <p>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.</p> <p>We have also reported errors in relation to the disclosed gain on disposal, with an overstatement of £10.5m in the financial statements.</p> <p>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.</p> <p>Recommendation – 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.</p>	<p>The finance team reviewed the asset register and focused on fixing the most material issues for 2024-25, this resulted in prior period adjustments made to the draft financial statements as detailed on page 29.</p> <p>Further work planned and resourced for 2025-26 to enhance the quality of data held by the Authority to make this more robust in years to come.</p>

Follow up of prior year recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	<p>3. Bank reconciliation statement (BRS) (assessed as medium risk) – We observed discrepancies between the Authority’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 bank reconciliation statements.</p> <p>Risk – If the bank reconciliation statements are not correctly prepared it may lead to material issues and unexplained reconciling items.</p> <p>Recommendation – The preparation of the BRS should be reviewed in detail with monthly reconciliations to investigate any reconciling items. 3. Bank reconciliation statement (BRS) (assessed as medium risk) – We observed discrepancies between the Authority’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 bank reconciliation statements.</p> <p>Risk – If the bank reconciliation statements are not correctly prepared it may lead to material issues and unexplained reconciling items.</p> <p>Recommendation – The preparation of the BRS should be reviewed in detail with monthly reconciliations to investigate any reconciling items.</p>	<p>Cash in transit codes were amended by Finance Business Partners to debtor codes for the corresponding service area.</p> <p>The amendments were setup by IT on Pay360 to ensure correct allocation.</p> <p>Continuous monitoring is applied to ensure correct codes are used.</p>

Follow up of prior year recommendations (4)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p>4. Property, plant & equipment – valuation of PPE (assessed as high risk) – We identified several errors within PPE in relation to the reconciliation between the fixed asset register (FAR) and the valuation reports, and there been adjustments to addition and disposals. In addition, management revalued assets during the audit that were initially missed from the valuation process.</p> <p>Risk – Weakness in the PPE valuation process increases the risk of misstatements in the financial statements. This causes delays to the audit and takes up considerable officer time in resolving errors and issues identified.</p> <p>Recommendation – Management must strengthen the PPE valuation process to ensure accuracy of financial reporting. We recommend that:</p> <ol style="list-style-type: none"> 1. Management carries out the PPE valuation as at 31 March (financial year-end) rather than as at 1 April. 2. There must be a co-ordinated effort by both the finance and estate teams to ensure that all assets requiring revaluation are correctly identified and for the valuer to be provided with all required information. 3. Management needs robust review procedures to be in place to ensure that the FAR reconciles with the valuation report and with the financial statements. 4. Management must check that other linked balances (additions, disposals, revaluation reserve, surplus or deficits on the revaluation reserve, gains or losses on asset disposal) are consistent with the PPE note and consistent with the FAR where applicable. 	<p>Management carried out a review of asset revaluations and sent far more assets to be revalued than it would in a normal year in order to provide greater assurance that the valuations are up to date.</p> <p>Further work is planned and resourced for 2025-26 to build on the work undertaken so far and make this more robust in future years.</p>

Follow up of prior year recommendations (5)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	<p>5. Review of subsidiary accounts and consolidation workings (assessed as medium risk) – Management does not currently perform a detailed review of subsidiary accounts and consolidation working papers before recording the amounts in the financial statements. This lack of review increases the risk of errors and misstatements in the consolidated financial statements.</p> <p>Risk – Without a thorough review process, there is higher likelihood of inaccuracies in the financial statements, which could lead to incorrect financial reporting and potential non-compliance with accounting standards.</p> <p>Recommendation – Management should implement a control procedure to conduct a detailed review of all subsidiary accounts and consolidation working papers. This review should be performed by an individual/team before the amounts are recorded in the financial statements. The review process should include verifying the accuracy and completeness of the subsidiary accounts and ensuring that all consolidation adjustments are appropriately documented and applied.</p>	<p>The working papers for consolidation were revised this year, based on guidance from CIPFA. The subsidiary accountants reviewed the consolidation to ensure that items were correctly classified.</p>
In progress	<p>6. Council dwellings (assessed as medium risk) – Management uses a beacon basis for council dwelling valuation. There are approximately 90 beacon groups which are varied by another 200+ variants to reflect the various characteristics of the remaining dwellings. Detailed testing of the beacon groups was performed in 2021-22 with no issues noted. However, management has not updated or reviewed the beacon analysis since 2021-22 as part of their valuation exercise.</p> <p>Risk – Failing to update or review the beacon analysis as part of the valuation exercise poses risk of inaccurate valuation and could result in material inaccuracies within the PPE note and Balance Sheet.</p> <p>Recommendation – Management should regularly update and review their beacon analysis as part of the council dwellings valuation exercise. This would provide assurance that net book value of council dwellings is not materially different from the current value.</p>	<p>Management has reviewed the guidance on stock valuation to identify under what circumstances Beacons need to be updated and is satisfied that the Beacons remain appropriate for the existing HRA assets. New HRA assets were revalued site by site which ensures that these valuations are sufficiently accurate for the accounts.</p>

09 Value for money arrangements

Value for money arrangements

Approach to value for money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, the Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we identified three significant weaknesses in arrangements. Two significant weaknesses are within financial sustainability and one in improving economy, efficiency and effectiveness. Full details are included in our 2024-25 Auditor's Annual Report, presented to Audit & Standards Committee in September 2025.

10 Independence considerations

Independence considerations (1)

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, there are no independence matters that we would like to report to you. We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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 Group and Authority 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 and Authority 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 or Authority 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 and Authority.
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.

Independence considerations (2)

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. See below non-audit related services charged for the 2024-25 financial year, 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	£29,220 plus day rate of £1,500 for additional work required	Self-interest because this is a recurring fee Self-review because GT provides audit services	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fixed fees for this work total £51,720 in comparison to the total fee for the audit scale fee of £545,235 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. 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 Authority 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	£12,500	Self-interest because this is a recurring fee Self-review because GT provides audit services	
Certification of Pooling of Housing Capital receipts return	£10,000	Self-interest because this is a recurring fee Self-review because GT provides audit services	

Fees and non-audit services (1)

Below, we confirm the 2024-25 audit fees charged to date and outlines. We also outline proposed additional fees arising from delays and challenges with the audit requiring unplanned input and additional audit resource.

Audit fees	Proposed fee per the Audit Plan £	Final fee £
Scale fee for Brent Council audit	545,235	545,235
Detail of additional procedure carried out for each of the sections below are documented under significant matters on pages 8-11 :		
• IFRS 16* (includes standard work and additional procedures)		15,000
• PPE valuations (additional work and delays)		25,000
• Prior period adjustments in relation to PPE and financial instruments		15,000
• Creditor and debtor samples selection		2,000
• Financial instruments (additional work resulting from revision of disclosures)		4,000
• Capital issues – capital creditors testing		2,500
• Additions (additional work resulting from delays)		1,000
• Capital grants unapplied (additional work)		1,500
• Finalisation of all other audit areas in January, excluding areas with severe delays noted above		5,000
Total audit fees		616,235

Fees and non-audit services (2)

Audit-related fees	Final fee £
I4B Holdings Ltd audit	50,600
First Wave Housing Ltd audit	47,500
Overrun fees agreed (I4B and FWH)	4,000
Brent Pension Fund audit	105,000
Total audit fees (excluding VAT)	207,100

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

Fees and non-audit services (3)

Audit-related fees for other services	Proposed fee as the Audit Plan £	Final fee £
Certification of Housing Benefits Assurance Process – 2023-24	28,500	£29,220
Certification of Housing Benefits Assurance Process – 2024-25	28,500	£29,220
Certification of Pooling of Housing Capital Receipts return – 2024-25	10,000	10,000
Certification of Teachers' Pensions return – 2021-22	7,500	7,500
Certification of Teachers' Pensions return – 2022-23	10,000	10,000
Certification of Teachers' Pensions return – 2023-24	12,500	12,500
Certification of Teachers' Pensions return – 2024-25	12,500	12,500
Total non-audit fees (excluding VAT)	£109,500	£110,940





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

11 Appendices

A. Communication of audit matters with those charged with governance (1)

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence.	●	●
Significant matters in relation to going concern	●	●
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	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance (2)

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

B. DRAFT Audit opinion (1)

DRAFT Independent auditor's report to the Members of the London Borough of Brent

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of London Borough of Brent (the 'Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2025, which comprise the Balance Sheet, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Cash Flow Statement, Notes and disclosures to the core statements, including a summary of significant accounting policies, Housing Revenue Account Income and Expenditure Statement, Collection Fund Account, the Notes to the Collection Fund accounts, Group Balance Sheet, Group Consolidated Income and Expenditure Statement, Group Cash Flow Statement, Group Movement in Reserves and Notes to the Group financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2025 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. DRAFT Audit opinion (2)

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance and Resource's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance and Resource's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance and Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance and Resource with respect to going concern are described in the relevant sections of this report.

B. DRAFT Audit opinion (3)

Other information

The other information comprises the information included in the Annual Governance Statement and the narrative report, other than the financial statements and our auditor's report thereon, and our auditor's report on the Pension Fund financial statements. The Corporate Director Finance and Resource is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year period for which the financial statements are prepared is consistent with the financial statements.

B. DRAFT Audit opinion (4)

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Corporate Director Finance and Resource

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director Finance and Resource. The Corporate Director Finance and Resource is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance and Resource determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director Finance and Resource is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

B. DRAFT Audit opinion (5)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

- We enquired of management and the Audit & Standards Committee concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit & Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

B. DRAFT Audit opinion (6)

Auditor's responsibilities for the audit of the financial statements (cont.)

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraud in income and expenditure recognition, and potential management bias in determining accounting estimates for the valuation of land and buildings (including council dwellings and leases), the valuation of the pension fund net liability, and the completeness of expenditure accruals. We determined that the principal risks were in relation to manual journals that altered the Authority's financial performance for the year, post year-end and closing journal entries. Our audit procedures involved:

- Evaluation of the design effectiveness of controls that the Corporate Director of Finance Resource has in place to prevent and detect fraud;
- Analysis of the journals listing and determination of the criteria for selecting high risk unusual journals;
- Identification and testing of unusual journal entries made during the year and the accounts production stage for appropriateness and corroboration;
- Reviewing and testing transfer between the General Fund and HRA and inter-group journals.
- Challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings valuations, council dwelling valuations, PFI valuations, the valuation of the defined benefit net pension fund liability, grants and income recognition, PFI provisions, minimum revenue provision, and manual expenditure accruals; and
- Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

B. DRAFT Audit opinion (7)

Auditor's responsibilities for the audit of the financial statements (cont.)

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings valuations, council dwelling valuations, lease valuations, PFI valuations, depreciation, the valuation of defined benefit net pension fund liabilities, provisions, income and expenditure accruals, PFI liabilities, credit loss and impairment allowances, and fair value estimates. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the local government sector in which the group and Authority operates; and
- understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- The Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

B. DRAFT Audit opinion (8)

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing further to report except that on 25 September 2025, we identified three significant weaknesses:

- Two significant weaknesses in relation to Financial Sustainability; and
- One significant weakness in relation to Improving Economy, Efficiency, and Effectiveness.

Financial Sustainability

1. Significant weakness in setting realistic future budgets to avoid a draw on reserves and the use of Exceptional Financial Support

The Authority faced continued financial pressures in 2024–25. Service overspends of £15.5 million were covered using earmarked reserves, released after an exercise to re-purpose reserves to support the revenue budget and enhance financial resilience. Rising demand pressures, particularly in temporary accommodation and social care, has made delivering balanced budgets increasingly challenging. The Authority’s Medium-Term Financial Strategy anticipates a cumulative budget gap of £28 million by 31 March 2029.

We recommend the Authority must urgently take additional difficult decisions to ensure that a realistic budget can be set for next year and in the medium-term, so this can be delivered without the need to further draw on reserves nor Exceptional Financial Support from central government.

B. DRAFT Audit opinion (9)

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources (cont.)

2. Significant weakness in Identification and delivery of savings

The Authority has yet to fully develop the pipeline of savings to close the projected budget gap of £28 million in the MTFS until 2028-29. Progress is being made with savings plans for 2026-27 identified as part of the budget setting process but a budget gap remains. To support this, the Authority is developing its Embrace Change Transformation programme, although this is currently in the early stages and lacks clarity and full organisational understanding and embedding.

Our recommendation states that it is critical that savings through the Embrace Change Transformation Programme are quantified and integrated into the Medium-Term Financial Strategy (MTFS) providing a pipeline of sufficient recurrent savings and income generation schemes supported by robust business cases through collaboration and business transformation.

Improving Economy, Efficiency, and Effectiveness

3. Significant weakness relating to serious failings in quality and safety standards (Housing)

There is a significant weakness in the Authority’s arrangements to deliver economy, efficiency and effectiveness in the Authority’s housing services, as indicated by the Regulator of Social Housing (RSH) awarding the Authority a ‘C3 grading’ in May 2025 for serious failings in meeting quality and safety consumer standards, following the self-referral made to the RSH by the Authority.

We recommend the Authority should ensure that governance and oversight arrangements for the Housing Improvement Plan provide assurance for officers and Members over timely delivery of actions and that improvements are sustained and embedded across housing services.

B. DRAFT Audit opinion (10)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks;
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

B. DRAFT Audit opinion (11)

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for London Borough of Brent for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the Members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

[**Signature**]

Sophia Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[**Date**]



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