

# Audit Committee

## Agenda

Monday 9 June 2025 at 7.00 pm

145 King Street (Ground Floor), Hammersmith, W6 9XY

Watch the meeting live: [youtube.com/hammersmithandfulham](https://youtube.com/hammersmithandfulham)

### MEMBERSHIP

Administration	Opposition	Independent
Councillor Patrick Walsh (Chair) Councillor Lisa Homan Councillor Callum Nimmo	Councillor Adrian Pascu-Tulbure	Councillor David Morton

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Members of the public are welcome to attend, but spaces are limited so please contact [Debbie.Yau@lbhf.gov.uk](mailto:Debbie.Yau@lbhf.gov.uk) if you'd like to attend. The building has disabled access.

Date Issued: 30 May 2025  
Date Updated: 02 June 2025

# Audit Committee Agenda

<u>Item</u>		<u>Pages</u>
<b>1. APOLOGIES FOR ABSENCE</b>		
<b>2. DECLARATIONS OF INTEREST</b>	<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
<b>3. MINUTES OF THE PREVIOUS MEETING</b>	<p>To approve the minutes of the meeting held on 10 March 2025 as an accurate record.</p>	4 - 12
<b>4. EXTERNAL AUDIT PLANS 2024/25</b>	<p>This report presents for the Committee's information the external audit plans for the audit of the financial year 2024/25.</p>	13 - 98
<b>5. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2024/25</b>	<p>This report summarises the work of Internal Audit in 2024/25 and provides the opinion of the Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. It also sets out a consistent level of assurance being obtained and provided for 2024/25 through the work of internal audit.</p>	99 - 118

**6. CORPORATE ANTI-FRAUD SERVICE ANNUAL REPORT 2024/25** 119 - 136

This report provides an account of fraud-related activity undertaken during the financial year 2024/25 to minimise the risk of fraud, bribery and corruption occurring within and against the Council.

**7. CYBER SECURITY UPDATE** 137 - 145

*This report contains exempt information. Discussion of the report will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.*

This report provides six-monthly updates on Hammersmith & Fulham's cyber-security readiness.

**8. DATE OF NEXT MEETING**

To note the date of the next meeting:

- 22 September 2025

**9. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)**

**Proposed resolution:**

The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information

# Agenda Item 3

London Borough of Hammersmith & Fulham

## Audit Committee Minutes



**Monday 10 March 2025**

### **PRESENT**

**Committee members:** Councillors Patrick Walsh (Chair), Florian Chevoppe-Verdier, Lisa Homan and David Morton

**Other Councillors:** Councillors Alex Sanderson (Deputy Leader) and Rowan Ree (Cabinet Member for Finance and Reform)

### **Officers:**

Sukvinder Kalsi (Executive Director of Finance & Corporate Services)

David Hughes (Director of Audit, Fraud, Risk and Insurance)

James Newman (Assistant Director of Finance)

Moir Mackie (Head of Internal Audit)

Jules Binney (Risk and Assurance Manager)

Debbie Yau (Committee Coordinator)

### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Adrian Pascu-Tulbure and Sharon Lea (Chief Executive).

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 9 December 2024 were agreed as an accurate record.

### **4. INTERNAL AUDIT STRATEGY 2025-2028, CHARTER AND MANDATE**

Moir Mackie (Head of Internal Audit) briefed the Committee that the new Internal Audit Strategy 2025-2028, Charter and Mandate were reviewed and updated taking into account the requirements of the new Global Internal Audit Standards (GIASs) (please see information paper on page 83). CIPFA had helped adapt the private-sector focused GIASs for the use of the public sector. For example, the Board was interpreted as equivalent to the Audit Committee in local authorities. The GIASs also set out the roles and responsibilities of the Internal Auditors who should act in an ethical and transparent manner while maintaining communication to the satisfaction

of the Audit Committee. Moira further said that the Strategy was developed to show continuous improvements over time along with progress reports submitted to this Committee. The Charter and Mandate had been completely refreshed to align with the new GIASs and required the Committee's approval. Members noted that while the GIASs were applicable in the UK from January 2025, the public sector were implementing the new Standards from 1<sup>st</sup> of April 2025.

Councillor David Morton was concerned about the liabilities of this Committee for the wrong doings such as fraud cases found in the Statement of Accounts it had signed off. David Hughes (Director of Audit, Fraud, Risk and Insurance) assured that under the Accounts and Audit Regulations 2015 and the Council's requirements made through the S151 officer, robust arrangements had been in place for risk management and for internal control and protection against frauds. As regards personal liabilities, David Hughes pointed out that according to the Council's insurance policies, all officers and members were covered in carrying out their duties as part of the Council.

Councillor Florian Chevoppe-Verdier appreciated the Strategy and quoted some favourite sections on pages 19 and 22. He sought examples on ways to leverage technology for 'enhanced efficiency' during service delivery. David Hughes highlighted the benefits of using data analytics in audit works, for example, by looking for areas of anomalies or trends among the whole population of data before deciding to carry out an audit of a particular area. The Internal Audit team was already working closely with the Council's Business Intelligence team to collect internal data on potential issues around fraud. The continuous audit approach in the Internal Audit Plan 2025/26 was also using data analytics to track potential concerns and provide assurance in a more efficient and less costly way.

Addressing Councillor Lisa Homan's questions, David Hughes noted that the new GIASs superseded the previous one promulgated in 2018 and applied similarly globally to all UK companies around the world. He acknowledged that the Council could under the new Standards look at potential contractors' internal audit strategies.

In reply to Councillor Homan's further concern about contractors' risk assessment, David Hughes said this fell within the scope of contract management audits which involved risk management. The audits would look at how departments were managing the risks of major suppliers/contractors and details of their contract management particularly those key ones on the departments' risk register.

Councillor Homan referred to the performance indicators for measuring the success of the Internal Audit Strategy on pages 23 & 24 and asked about the reporting timelines. David Hughes noted that in addition to the Head of Internal Audit's Annual Report submitted every June, there would be progress reports on performance and corrective actions taken for indicators that were not on track.

## **RESOLVED**

That the Committee agreed

1. To note the draft Internal Audit Strategy as set out in Appendix 1; and

2. To approve the draft Internal Audit Charter and Mandate as set out in Appendix 2.

## **5. INTERNAL AUDIT PLAN 2025/2026**

Moira Mackie (Head of Internal Audit) introduced the report and explained that to ensure the Annual Audit Plan (the Plan) was more responsive to changing risks and challenges, it had been developed as a '3 plus 9-month' plan since 2021. Besides, the Internal Audit Service was considering where a programme of continuous auditing could be developed. For example, 'health and safety' which used to be audited in isolation might be considered as an area for continuous auditing (pages 42 & 43) where ongoing data would be collected and assessed. The 2025/2026 Plan had also identified general areas for audit coverage, some of which were confirmed audits with timing while others were evolving audits under discussion. The Committee would be updated about the 2025/2026 Plan during the year.

Councillor Florian Chevoppe-Verdier considered the '3 plus 9-month' approach highly agile allowing priorities to shift in response to local and national events. Separately, he looked forward to hearing more about continuous auditing, how technologies/tools could help achieve better value for money and meeting the increasing demands for auditing from central government.

Noting that 'Building Control' was one of the confirmed audits included due to changes in legislation, Councillor Lisa Homan sought more details as it was related to residents' concerns over planning applications. Moira Mackie said as agreed with the Department of Place, the audit would better be done in Q2 of 2025/26 as there had been a lot of changes in the building regulations. David Hughes (Director of Audit, Fraud, Risk and Insurance) referred to the learnings from the Grenfell Tower tragedy, with the new building safety regulator in place to carry out audits of building control functions. The Internal Audit Service would help the local authority to meet the new regulatory requirements in terms of training, supervision and quality management from planning permission to inspections.

On Councillor Homan's concerns about contracting building control functions out from the Council and the resources implications, David Hughes said the Grenfell Tower Inquiry Report had recommended the Government to undertake a review of the provision of building control functions by local authorities as well as approved inspectors in the private sector. The audit would also review the regulatory and enforcement roles when delivering building control services while providing advice to residents.

On the Chair's question about possible delays in completing the audits due to staff turnover, Moira Mackie said there was usually some other staff who could support the audit work with the scope perhaps changing to be more supportive and advisory than assurance. Also, it might be worth carrying out the audits with the new people as they might do things differently. She added that changes might be triggered by changes in people, system or legislation.

The Chair requested that when assurance could not be provided for any confirmed audits, explicit explanations on the situation like people change should be provided to avoid misunderstanding of the presence of ongoing issues.

**ACTION: Moira Mackie**

In this connection, Sukvinder Kalsi (Executive Director of Finance & Corporate Services) remarked the Internal Audit Plan 2025/2026 was very comprehensive, covering all the services and key activities of the Council. It should help assure members about the strong and robust systems, processes and procedures of the Council and reinforce the same among external stakeholders. Indeed, the External Auditor had relied on the Internal Audit Service to provide assurance when auditing the Financial Statements.

## **RESOLVED**

That the Committee agreed

1. To note the early draft of the Annual Audit Plan as set out in Appendix 1, and the audit work due to be undertaken in the first quarter of 2025/26; and
2. To note the draft Strategic Audit Plan as set out in Appendix 2.

## **6. RISK MANAGEMENT STRATEGY 2025-2028**

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the Risk Management Strategy 2025-2028 which reflected a global evolution of risk management in response to the economic situation resultant from the pandemic and world events. During the past few years, risk management had changed a lot particularly in the public sector. This Strategy embedded the risk management culture of the Hammersmith and Fulham (H&F) Council where there was really good engagement of the Chief Executive and the Senior Leadership Team (SLT) and good support of the Audit Committee. David then highlighted the organisational benefits of effective risk management, the structure of the Strategy and an Annual Assurance report on risk management. He said that upon the Committee's approval of the Strategy, training would be provided to ensure all staff were aware of the Strategy and knew how to use the risk management toolkit to support the senior management and service teams in maintaining their risk registers.

Jules Binney (Risk and Assurance Manager) remarked that the new Risk Management Strategy was developed based on experience and knowledge of the entire industry. He was confident that the Council could have even more control over the risks going forward with the residents in a better-informed position.

Councillor Florian Chevoppe-Verdier appreciated the roles and responsibilities of all staff and all elected members had been set out clearly in the Strategy so that each could play their part. He sought elaboration on outcomes of engagement with directorates or the internal teams. David Hughes said he and his team held regular meetings with the SLT and service teams on risk management arrangements regarding some of the key programmes and projects listed on the risk registers.

More training would be provided to bring staff at junior managerial ranks to involve themselves in risk management.

On Councillor Chevoppe-Verdier's question about insight sharing and industry collaboration with the risk management sector, David Hughes referred to expertise and knowledge sharing among heads of internal audit via the London Heads of Audit Network and the UK-wide Local Authority Chief Auditors Network. In addition, the Institute of Internal Auditors (IIA) provided a good summary of emerging risks identified globally each year. Materials around emerging risks were also produced by the private firms engaged to help some of H&F's internal audit work. As such, H&F was well connected to look at risks from a much wider base over a range of avenues.

The Chair was concerned whether the risk management toolkit was robust enough to respond to the different scenarios resulting from unprecedented events. David Hughes highlighted the importance of training for staff to adopt the risk management practices and think about the kind of risks (which should be differentiated from issues) that the service teams were facing. Jules Binney added that while it was never possible to anticipate the situations fully, more leeway would now be available by implementing the measures in the new Strategy. He outlined horizon scanning which helped identify emerging and potential risks over a long term and prepare the response adequately. David noted horizon scanning would form part of the future risk reporting. The Chair noted horizon scanning was a forward-thinking approach which allowed the Council to weather many of storms ahead.

## **RESOLVED**

That the Committee agreed

1. To note and approve the Risk Management Strategy 2025-2028; and
2. To note an annual assurance report on risk management arrangements would be presented to future meetings of the Committee.

## **7. RISK MANAGEMENT UPDATE AND CORPORATE RISK REGISTER 2024/25**

David Hughes (Director of Audit, Fraud, Risk and Insurance) briefed the Committee on the Risk Management Update and Corporate Risk Register 2024/25. He highlighted the increase or reduction in risk scores and the addition of three new risks (page 75). He further noted that the Risk Register had been reviewed by the SLT Assurance which suggested the narratives for each risk be focused on the current arrangements and mitigation plans. Going forward, lead directors/risk owners might attend committee meetings and report the outcomes of the arrangements and any changes to the planned actions. Members might deep dive a particular risk to make sure it was maintained or reduced. David added an update on risk management arrangements on cyber security would be presented at the June meeting.

Jules Binney added that the Risk Register was under evolution where the risk narratives were outlined with specific mitigations making them easier to understand.



A new Risk Register with defined actions and responsibilities taken by the risk owners would soon be rolled out after testing. While reducing the number of risks was preferential (like the dropping of the risk relating to the Hammersmith Bridge because it no longer held a systemic risk to the Council), the Council had to live with some risks such as cyber security because cyber-attacks would continue to happen regularly.

Believing the risk related to cyber security had to remain “Red” in future, Councillor Lisa Homan observed that the risk relating to the management of complaints, requests for information, members enquiries (risk no. 18) should be resolved soon and show progress from “Red”. David Hughes acknowledged her observation as the SLT Assurance was leading actions in that direction. He undertook to provide more assurance by bringing a more detailed report on this to a future meeting.

**ACTION: David Hughes**

On Councillor Homan’s concern about the progress of any risk escalating from “Yellow” to “Red”, David Hughes said the financial management and medium-term planning (risk no. 19) had been a key focus for the S151 Officer and the Cabinet Member for Finance and Reform. While a lot of good work had been done to bring a balanced in-year budget, the position of the Medium-term Financial Strategy (MTFS) at H&F, like that of many other authorities, was becoming increasingly challenging.

Councillor Florian Chevoppe-Verdier recalled this Committee had agreed to the recommendations of having more risks while adopting the approach of risk ownership. Referring to the risk of failure to comply with the new Building Safety Act and certification of 49 Higher Risk Buildings (HRBs) (risk no. 10), he asked if this was a one-time thing or an annual exercise and whether the Building Safety Managers recruited for the purpose could meet the workload to certify the remaining 23 HRBs.

David Hughes noted that local authorities were required to register HRBs by September 2024. The Building Safety Regulator (BSR) had invited H&F in January this year to certify 26 of its 49 HRBs. The building safety cases involved very detailed submissions around construction and safety arrangements for individual HRBs which included outcomes of residents’ consultation. The Council had received 25 to 30 BSR’s questions per building, much fewer than 100 to 150 for building safety cases in some other authorities. H&F had also made quality submissions and responded to the regulator’s time-dependent legal requests. The BSR was meant to review, respond and certify the 26 HRBs within a reasonable timeframe but they were reviewing several hundreds of building safety cases across London. The capacity of the BSR became a mutual concern among the network of London housing directors and some developers as some 100,000 new homes were being delayed awaiting to complete the BSR process. He highlighted the three Building Safety Managers in H&F were responsible for maintaining building safety cases throughout the building life and made submissions to BSR on risk-assessment basis. David remarked resources were there to ensure all building safety cases were maintained.

Councillor Lisa Homan considered it a serious issue for BSR being unable to catch up with the building safety cases. Councillor Chevoppe-Verdier noted there was a chronic understaffing of regulators across the board, with some teams needed to deal with hundreds of cases by 10 staff.

David Hughes pointed out that the Grenfell Tower Inquiry Report had recommended the central government to re-assess the definition of HRBs and change it from the present over 18 meters high or 7 storeys to 11 meters and above. If adopted, this would create more building safety cases for the BSR to review. He confirmed that the 49 HRBs did not include private HRBs which had its own mechanism to ensure building safety, and the Council did not have responsibility for this. David agreed to provide further information on HRBs owned privately or by Housing Associations and the Council's powers and enforcement over their building safety.

**ACTION: David Hughes**

Councillor David Morton noted some buildings in his ward had started building safety certification works but never finished. He also noted the loophole that the building safety officers were self-employed with some being the contractors themselves. He had received residents' complaints about the lack of building safety control, but the Council had no way of enforcement.

David Hughes considered the specific situations quite concerning. As the functions of building control covered dangerous structures, he said the building control team would be able to advise the way forward.

## **RESOLVED**

The Committee agreed to note the report.

## **8. GLOBAL INTERNAL AUDIT STANDARDS**

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the information paper on Global Internal Audit Standards (GIASs) which were covered in earlier discussions. He reiterated going forward, the reporting of audit work would include a full gap analysis to the GIASs to reflect compliant. Moira Mackie added that things done differently shall fall under gap analysis the outcome of which would lead to acceptable practices.

As regards Councillor Florian Chevoppe-Verdier's question on the industry feedback about the proposals in GIASs, David Hughes said there were a lot of feedback across the globe from different sectors during the lengthy consultation period. Local authorities in the UK responded quite strongly that the GIASs did not give enough recognition to the public sector, in particular local governments. Further guidance on the application of the Standards in UK public sector and local government had been published by IASAB and CIPFA respectively.

Moira Mackie said H&F had shown how it would be compliant to the GIASs through the Internal Audit Strategy. In addition to complying the GIASs, the audit work would

also be subject to external assessment similar to the last year against a set of slightly different measures.

Councillor Chevoppe-Verdier asked whether this Committee would adopt one or more of the following (page 91) as recommended by the Chartered Institute of Internal Auditors (IIA):

- An agenda item covering the transition at every Audit Committee meeting until the transition was completed.
- Deep Dives commissioned by the Audit Committee on aspects it felt were key to meet the requirements.
- Appointment of an independent third party to provide assurance to the Audit Committee on the transition arrangements. This might be part of an External Quality Assessment.

David Hughes said the Internal Audit Services planned to highlight the key things going on during the transition as part of the audit update. The Committee might raise any particular areas that members would like to dive deeper through briefings or formal reports. Moreover, unlike the previous arrangement whereby internal audit works were subject to reviews by peers at other London local authorities with no conflict of interests, they would now need to be externally assessed by independent third parties once every five years.

On Councillor Chevoppe-Verdier's further question about the frequency of gap analysis, David Hughes advised it would be an annual exercise with refreshed information being fed into the annual self-assessment and the Head of Internal Audit's Annual Reports. In addition to these annual engagements, the internal audit works would be subject to external assessments once every five years. During the interim, the Audit Committee would be briefed on a regular basis about the gaps and steps taken to address them. David said the Committee could give some thoughts on the appointment and engagement frequency of the independent external reviewer in order to obtain an assurance sooner when the GIASs were newly implemented.

In response to the Chair's concern about the acute shortage of auditing professionals in the market and hence possible delays of assurance, David Hughes agreed recruitment in the internal audit space was a challenge. There were plans to bring more apprenticeships to grow in-house talents and reduce external reliance. He added discussion was also underway with IIA to see how it could help organisations like local authorities to carry out the plans in a cost-effective and timely manner. Councillor Chevoppe-Verdier was pleased to note about staff development and retention plans and looked forward to seeing the outcome-focused provisions in the Standards took root.

## **RESOLVED**

That the Committee agreed

1. To note the content of the report and refer to the guidance found in appendices 1-3; and

2. To request a further report on the implementation of the standards once the relevant sector guidance had been published, including any actions identified and taken as a result of the gap analysis to be carried out.

## **9. DATES OF FUTURE MEETINGS**

The Committee noted the dates of future meetings:

- 9 June 2025
- 22 September 2025
- 1 December 2025
- 16 March 2026
- 8 June 2026

Meeting started: 7.00 pm  
Meeting ended: 8.00 pm

**Chair** .....

**Contact officer** Debbie Yau  
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London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 09/06/2025

**Subject:** External Audit Plan 2024/25

**Report author:** Christopher Harris - Head of Corporate Accountancy, Finance Systems and Tax

**Responsible Director:** Sukvinder Kalsi, Executive Director Finance and Corporate Services

SUMMARY

This report, for information, presents the external audit plans for the audit of the financial year 2024/25.

RECOMMENDATIONS

1. To note the 2024/25 External Audit Plans for the LB Hammersmith and Fulham audit and LB Hammersmith and Fulham Pension Fund audit as prepared by the Council's External Auditor, Grant Thornton (Appendices 1 and 2).

**Wards Affected:** All

H&F Values

Our Values	Summary of how this report aligns to the H&F Values
<ul style="list-style-type: none"><li>Being ruthlessly financially efficient</li></ul>	As part of the financial governance of the Council, and to ensure the Council is using its resources effectively, there is a need to appoint a suitable external auditor.

Financial Impact

There are no direct financial implications in relation to this report.

Legal Implications

There are no direct legal implications in relation to this report.  
Verified by Glen Egan Assistant Director of Legal Services 30/05/2025

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**Background Papers Used in Preparing This Report**

None

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**External Audit Plan 2024/25**

1. The Council's external auditor (Grant Thornton UK LLP) is required to share with the Audit Committee its audit plans for the financial year subject to audit.
2. The external auditor's proposed audit plans for the year of account 2024/25 (main Council audit and Pension Fund audit) are attached at appendices 1 and 2. The auditor will also be presenting these plans to the Committee.

**LIST OF APPENDICES:**

Appendix 1 – Grant Thornton – External Audit Plan 2024/25 (LBHF Council Audit)

Appendix 2 – Grant Thornton – External Audit Plan 2024/25 (LBHF Pension Fund Audit)

# **The Audit Plan for London Borough of Hammersmith and Fulham**

Year ending 31 March 2025

April 2025



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# 01 Key developments impacting our audit approach

# Key developments impacting our audit approach

## National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

**Staffing:** A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

**Climate change:** As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

**Housing crisis:** The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

**Funding :** Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

**Digital Transformation :** The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

**Cybersecurity:** Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

## Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness.

Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

We are pleased in the context of Hammersmith and Fulham that we have in the prior year resolved the audit backlogs and signed the 2023-24 audit in November 2024. Although there remain national challenges we continue to prioritise the Council's audit and note the work management have done to manage what has been a difficult national context over recent years.

# Key developments impacting our audit approach

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## New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset.
  - The FRC issued revisions to ISA (UK) 600 'Audits of group financial statements (including the work of component auditors)'. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.
  - Detailed review of the authority's implementation of IFRS 16. We have begun early work at interim on this standard with the Council's finance team with the initial expectation that the impact on the opening balance will be £29.8 million on the Balance sheet.
  - The Council does not prepare group accounts so there is no specific impact arising from ISA (UK) 600 at this time.
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# Key developments impacting our audit approach

## Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been set by the PSAA contract and on the same basis as the prior year.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal meeting with the Chief Executive twice a year, and with the Director of Finance and Corporate Services quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.





# IFRS 16 Leases



## Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) 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.

## 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 all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

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

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

## Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

## Planning enquiries

As part of our planning risk assessment procedures, we have made enquiries of management. These responses have been collated, and we will look to meet with management and representation from the Audit Committee to discuss and review the responses in due course.

# 02 Introduction and Headlines

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# Introduction and headlines

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## Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Hammersmith and Fulham Council ('the Council') for those charged with governance.

## Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Hammersmith and Fulham.

## Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

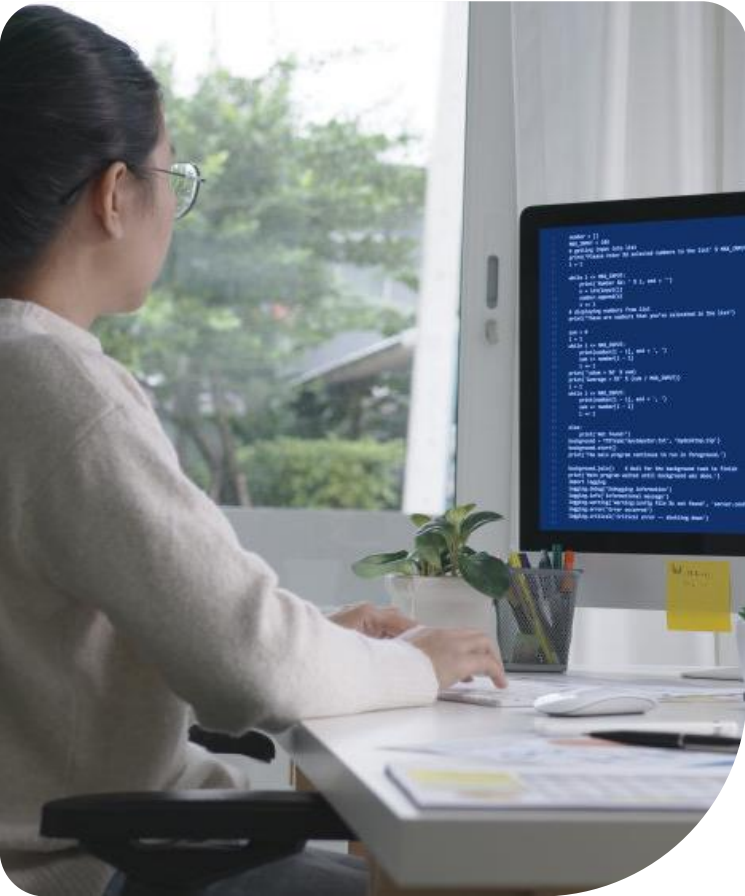
Our intended timeline as discussed with management is to commence the audit work on **16 June 2025, with the team booked to finish the work by the 15 September 2025**. Due to the backstop legislation there will be a requirement for this team to move to another client from that date. From discussions with management bringing forward the work in this way should help support the finance team that will be implementing a new finance ledger at the end of September.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Introduction and headlines

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## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Pension Asset's/Liabilities.
- Valuations of Council Dwellings, Other Land and Buildings and Investment Properties.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £17.3m, (PY £11.1m) for the Council, which equates to 2% of your prior year gross operating costs for the year. This increase reflects national changes to the benchmark percentages we set on Local Government bodies.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £865k.

We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to have a materiality of £100,000 for senior officer remuneration, this is due to a greater level of public interest in this balance.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- the financial sustainability of the Housing Revenue Account (HRA) and the service performance in Housing.

From the prior year we note significant progress has been made on this area including positive feedback from the regulator. We will this year ensure the positive improvements made in the prior year have been embedded and review the area to determine if this finding can now be noted as being addressed.

We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

## Audit logistics

Our audit planning visit took place largely in February and March and we have also on key transactional balances sought to undertake early interim testing. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £478,580 (PY: £463,341) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements




# 03 Identified risks

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# Significant risks identified


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

Significant risk	Audit team’s assessment	Planned audit procedures
Management override of controls. Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <ul style="list-style-type: none"><li>• gain assurance regarding the completeness of the full Journals listing and its consistency with the movements in the opening and closing trial balance.</li><li>• analyse the journals listing and determined the criteria for selecting high risk unusual journals</li><li>• identify and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li><li>• use a combination of data analytic scoring tools and targeted tests to select Journals of the greatest risk for testing.</li><li>• gain an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li><li>• Testing of journals entries</li><li>• Review of unusual significant transactions</li></ul>



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

# Significant risks identified

Significant risk	Audit team’s assessment	Planned audit procedures
Valuation of the pension fund net liability	<p>The pension fund net asset (as at 31 March 2024), is made up of two balances the LGPS scheme and the LPFA scheme. The LGPS scheme had a net liability of £38,725k which is reflected in the Council’s financial statements, the LPFA scheme had an accounted value of nil in the accounts. The LPFA scheme on a gross basis was identified as having a gross asset position of £53,751k with liabilities of £31,197k, however, following the application of IFRIC 14 the total that can be recognised in the accounts was identified as nil. This standard reflects the fact the Council may not have full access to the benefit of an overfunded position in the same way you would for other assets such as Debtors or Investments, therefore an asset ceiling of £22,564k was applied.</p> <p>The LGPS scheme although having in total a net position that is not significantly material has gross liabilities of £1,290 million and gross assets of £1,252 million. These balances are therefore highly sensitive to changes in market conditions or assumptions used by the actuary which is why this balance remains an area of significant risk of misstatement.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li><li>• evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary’s work;</li><li>• assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;</li><li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities;</li><li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary;</li><li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report; and</li><li>• obtain assurances from the auditor of the Hammersmith and Fulham Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund’s financial statements.</li><li>• review the application of IFRIC 14 and ensure the asset ceiling is correctly applied for both the asset and liability.</li></ul>

# Significant risks identified

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Significant risk	Audit team’s assessment	Planned audit procedures
Valuation of land and buildings including Council dwellings	<p>The Council revalue its land and buildings on a rolling, five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (Other land and buildings £340,767k and for Council dwellings £1,358,108k in the Council’s balance sheet on 31 March 2024) and the sensitivity of this estimate to changes in key assumptions. Key assumptions and judgements will include managements impairment assessments, valuations based on historic data, valuations of properties that have not been subject to inspection and those assets that have change in use in the year. Management will need to ensure that the carrying value in the Council’s financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. We therefore identified valuation of land and buildings, specifically council dwellings, other land and buildings and surplus assets, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work;</li><li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li><li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;</li><li>• challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council’s valuers’ work, the Council’s valuers’ reports and the assumptions that underpin the valuations;</li><li>• for Council Dwelling revaluations we will test the appropriateness and application of the Beacon Valuations;</li><li>• for Other Land and Buildings, we will test the key assumptions and application of build costs, obsolescence factors and floor plans for assets valued on a Depreciated replacement cost basis. For assets valued on an Existing Use value basis we will focus our work on yields and income of the assets;</li><li>• focus testing on managements impairment assessment, valuations based on historic data and where no inspections have been undertaken. Testing will also focus on any assets that have had a change in use in the year;</li><li>• test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council’s asset register; and</li><li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.</li></ul> <p>Following our lessons learnt review we have elected this year to use our in-house valuation team to support the audit. This was to allay some points raised by the Council’s valuer and to better facilitate data being shared for review between the Council’s valuation expert and our valuations expert.</p>

# Significant risks identified

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Significant risk	Audit team's assessment	Planned audit procedures
Valuation of investment properties	<p>The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£94.5 million in the Council's balance sheet on 31 March 2024) and the sensitivity of this estimate to changes in key assumptions.</p> <p>The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2024.</p> <p>We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>As noted in previous years the Council has in its advertising hoarding Investment properties assets that are harder to value due to the level of activity in the market. The testing of this and the yields applied will be an area of particular focus in our work as it was in the prior year.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li><li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li><li>• write to the valuer to confirm the basis on which the valuations were carried out;</li><li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations;</li><li>• focus our testing on the yield rates used by the valuer; and</li><li>• test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.</li></ul>

# Significant risks identified

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have identified and completed a risk assessment of all revenue streams for the Council. The main streams being Government Grants, Collection Fund, rental income from HRA and Investment properties, parking income and Investment income. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively.	<p>Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement 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 ISA 240, and the nature of the revenue streams of the Council, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition; and</li><li>• opportunities to manipulate revenue recognition are very limited; and</li></ul> <p>Therefore, we do not consider this to be a significant risk for the Council at the time of our planning however we will keep this assessment under review.</p>
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the nature of the expenditure streams of Hammersmith and Fulham, and on the same basis as that set out above for revenue, we do not consider this to be a significant risk for the Council at the time of our planning however we will keep this assessment under review.</p>

# Other risks identified

Significant risk	Audit team's assessment	Planned audit procedures
Implementation of IFRS 16	<p>Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. The Council elected not to disclose the impact of this in the 2023-24 accounts and that means the Council is required this year to state:</p> <ul style="list-style-type: none"><li>• The opening balances at the 1<sup>st</sup> April 2024 for the associated borrowings and right of use assets.</li><li>• CIES movements of the new standard.</li><li>• The closing balances at the 31<sup>st</sup> March 2025 for the associated borrowings and right of use assets.</li></ul> <p>The new standard most significantly impacts operating leases bringing these onto the Balance sheet, it also requires peppercorn leases to be valued at a fair value. Presently the Council from their work have estimated the impact on the opening balances to be £29.8 million, which is material. This estimated impact is similar to the values noted in the lease notes in the 2023-24 accounts. Given this balance is material and the standard does change the accounting for leases on the Balance sheet and CIES, there is likely extra work required in the first year of implementation. This will help ensure going forwards the standard has fully implemented and can be readily pulled forward in future years. We have assessed based on the draft position that this is an Other risk, as given the figures in question we do not consider it as likely that changes in key assumptions will drive material misstatements.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• review the corresponding Right of Use Assets and Borrowings at both the 1<sup>st</sup> April 2024 and the 31<sup>st</sup> March 2025;</li><li>• review key assumptions determined by management upon implementing the new standard. This may include interest rates applied over the length of the leases, valuation of peppercorn leases and the determination of the lease length;</li><li>• we will review the processes management have put in place to ensure the completeness of leases and the accuracy of the lease information. This will also include inquiries of the estates team;</li><li>• we will sample test leases from the lease register to test the accuracy of the data; and</li><li>• we will compare the lease disclosures to the lease payments in year and prior year lease disclosure notes to further test the completeness/accuracy of the disclosure.</li></ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.




# 04 Our approach to materiality

# Our approach to materiality

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

Matter	Description	Planned audit procedures
01	<b>Determination</b> We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"><li>We determine planning materiality in order to:<ul style="list-style-type: none"><li>establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li><li>assist in establishing the scope of our audit engagement and audit tests</li><li>determine sample sizes and</li><li>assist in evaluating the effect of known and likely misstatements in the financial statements</li></ul></li></ul>
02	<b>Other factors</b> An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"><li>An item may be considered to be material by nature when it relates to:<ul style="list-style-type: none"><li>instances where greater precision is required</li></ul></li></ul>
03	<b>Reassessment of materiality</b> Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"><li>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality</li></ul>
04	<b>Matters we will report to the Audit Committee</b> Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"><li>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</li><li>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £865k).</li><li>If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</li></ul>



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

# Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	17,300,000	Materiality has been set at 2% of the Council’s gross expenditure.
Performance materiality for the financial statements	12,110,000	Set at 70% of materiality, this is the same as in the prior year.
Triviality	865,000	This is set at 5% of materiality.
Materiality for Senior Officers Remuneration per officer	100,000	This is an area considered to be of a greater level of public scrutiny and sensitivity. We have set this benchmark as our materiality for senior officer pay per officer.



# 05 IT audit strategy

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting, General Ledger, Accounts Payable, Accounts Receivable, Payroll	We will consider the design but not the operating effectiveness of the ITGCs
Altair	Pensions Administration (member data), Pensions payroll	We will consider the design but not the operating effectiveness of the ITGCs

We note there is a significant IT upgrade taking place at the end of September 2025, although this will not impact the 2024-25 audit we will discuss with the finance team how we best coordinate and time our IT work in reviewing this matter to ensure it is done at an appropriate time. We have also agreed to work with management to seek to accelerate the audit process so that we work to having our work substantially complete prior to the new system going live.

# 06 Value for Money Arrangements



# Value for Money Arrangements

## Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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### 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.



### 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.



# Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body’s arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body’s arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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



# Risks of significant weakness in VFM arrangements

## Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

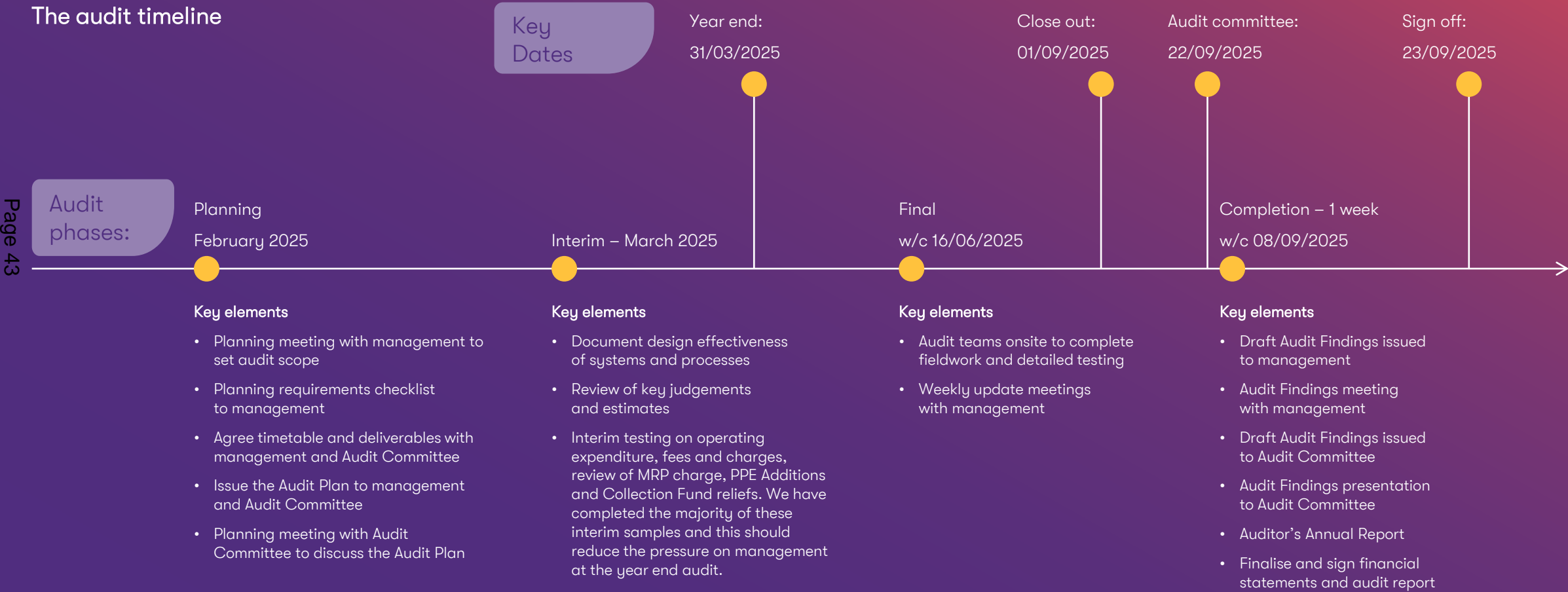
Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability and Improving economy, efficiency and effectiveness Cross-cutting weakness	Key recommendation remains in place Significant weakness in Housing (HRA and service performance) impacting VFM themes: Financial sustainability Improving economy, efficiency and effectiveness Significant weakness identified in Housing relating to (1) the financial sustainability of the Housing Revenue Account (HRA) and (2) the service performance in Housing.	We acknowledge the significant improvement noted in our review of the 2023-24 arrangements. We will need to see the new processes in housing embedded in 2024/25 and consistently deliver better outcomes for residents before we lift the significant weakness we raised in 2022/23.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on how the positive new arrangements we noted in the prior years Annual report have been embedded and reviewing how these processes have impacted the service received by residents.
Governance	G No significant weaknesses in arrangements identified, but three improvement recommendations made relating to risk management, Audit Committee arrangements and the monitoring of Council-owned companies.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are proposed at this stage. We will undertake sufficient work to document our understanding of arrangements as required by the Code and follow up improvement recommendations made previously. .
Improving economy, efficiency and effectiveness	G No risks of significant weakness reported and no improvement recommendations made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are proposed at this stage. We will undertake sufficient work to document our understanding of arrangements as required by the Code and follow up improvement recommendations made previously. .
Improving economy, efficiency and effectiveness	A No risks of significant weakness reported; improvement recommendations made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are proposed at this stage. We will undertake sufficient work to document our understanding of arrangements as required by the Code and follow up improvement recommendations made previously. .
Financial Sustainability	A No significant weaknesses in arrangements identified, but three improvement recommendations made relating to risk management, Audit Committee arrangements and the monitoring of Council-owned companies.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are proposed at this stage. We will undertake sufficient work to document our understanding of arrangements as required by the Code and follow up improvement recommendations made previously. .

# 08 Logistics

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# Logistics

## The audit timeline



# Our team and communications

## Grant Thornton core team

**Paul Cuttle**  
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

**Nick Halliwell**  
Audit Senior Manager

- Audit planning
- Resource management
- Drafting Key audit reports

**Muneeb Khan**  
Audit Manager

- Audit planning
- Resource management
- Performance management reporting]

**Louis Barber**  
In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• Annual client service review</li></ul>	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• Audit Progress and Sector Update Reports</li><li>• The Audit Findings</li><li>• Auditor’s Annual Report</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li><li>• Audit Progress reports</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications	<ul style="list-style-type: none"><li>• Open channel for discussion</li></ul>		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# 09 Fees and related matters

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# Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Hammersmith and Fulham to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is 470,080.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
PSAA Scale fee Hammersmith and Fulham Council	454,841	470,080
External Valuation expert (charged at cost)	8,500	8,500
IFRS 16 Additional work on new standard	N/A	TBC
Total (Exc. VAT)	463,341	478,580

Our fee estimate:

- We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:
- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
  - provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
  - provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
  - maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
  - Note the fee is largely set by PSAA at £470,080, per the contract use of valuation experts is recharged at cost, we have estimated this fee to be £8,500 and will update the final cost in the Audit Findings report. We have also included the fact that extra work on IFRS 16 as a new standard will be required, given this is a new standard we are unable to set an exact figure at this stage but will keep management informed as we progress the work.
  - Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

# 10 Independence considerations

# Independence considerations

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council.
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 Council 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 Council .
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 Council board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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



# Fees and non-audit services

The following tables below set out non-audit services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council’s policy on the allotment of non-audit work to your auditor including where the service(s) are provided by Grant Thornton International Limited network member firms who are aware of that policy and have been approved by the Audit Committee.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Hammersmith and Fulham Council. The table summarises all non-audit services which were identified.

Note the below relates to fees in the prior years Grant work which took place during the 2024-25 financial year.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Teachers Pensions	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
Certification of Housing Capital receipts grant	£10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
HBAP Grant	TBC prior year £34,250	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
CFO Insights Subscription	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

# **11 Communication of audit matters with those charged with governance**

# Communication of audit matters with those charged with governance

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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 and Key Audit Matters	●	
Planned use of internal audit	●	
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	●	●
Views about the qualitative aspects of the Council’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		●
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		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

**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.

# 12 Delivering audit quality

# Delivering audit quality

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## Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

### Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

### Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

### Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

## How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

## The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

## Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

## Oversight and control

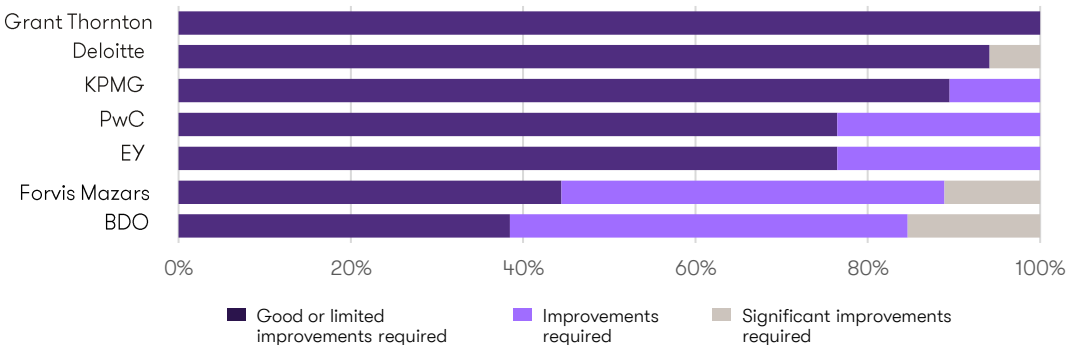
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell  
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection  
(% of files awarded in each grading, in the most recent report for each firm)



# 13 Appendices

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# Escalation Policy



## The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

## Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

### Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

### Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

### Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

### Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

### Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

## Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

# IFRS reporters New or revised accounting standards that are in effect

## First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. 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.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

## IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

## Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.



# IFRS reporters Future financial reporting changes

## IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

## Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

## Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

## IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

## IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

# The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

## 01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

### What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

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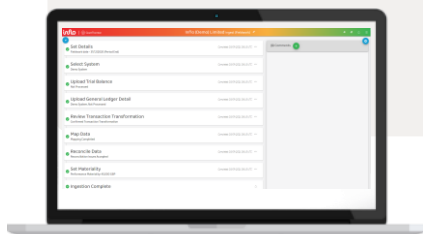


## 02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

### What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

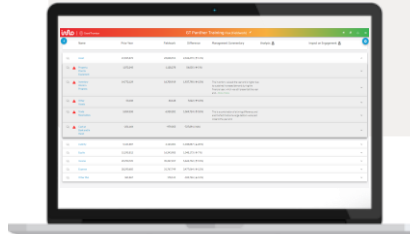


## 03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

### What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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# **The Audit Plan for London Borough of Hammersmith & Fulham Pension Fund**

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Year ending 31 March 2025

9th June 2025



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# 01 Key developments impacting our audit approach

# Key developments impacting our audit approach

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## National Context

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### Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect by' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.



# Key developments impacting our audit approach (continued)

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National and International Context	Local Context
<p data-bbox="107 361 382 396"><b>Investments and Funding</b></p> <p data-bbox="107 396 1294 675">Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary’s Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.</p> <p data-bbox="107 675 1294 775">At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.</p> <p data-bbox="107 775 1294 932">The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.</p> <p data-bbox="107 932 1294 1175">In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government’s proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.</p> <p data-bbox="107 1175 1294 1258">In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.</p>	<ul data-bbox="1294 361 2440 618" style="list-style-type: none"><li data-bbox="1294 361 2440 518">• The London Borough of Hammersmith and Fulham (LBHF) Pension Fund is a Local Government Pension Scheme (LGPS) based in West London. The LGPS is a statutory, funded, salary-related pension scheme with its benefits defined and set in law. The LGPS is contracted out of the State Second Pension Scheme (S2P) and must, in general, provide benefits at least as good as most members would have received had they remained in S2P.</li><li data-bbox="1294 518 2440 618">• There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk in relation to management override of controls.</li></ul>

# Key developments impacting our audit approach (continued)

## Our commitments

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- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Treasury and Pensions.
  - We would like to offer regular meetings with the Pensions Manager and with the Director of Treasury and Pensions as part of our commitment to keep you fully informed on the progress of the audit.
  - We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- 



# 02 Introduction and Headlines

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# Introduction and headlines



## Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Hammersmith & Fulham Pension Fund ('the Fund') for those charged with governance.

## Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter. We draw your attention to these documents in the links below.
- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

## Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Fund.

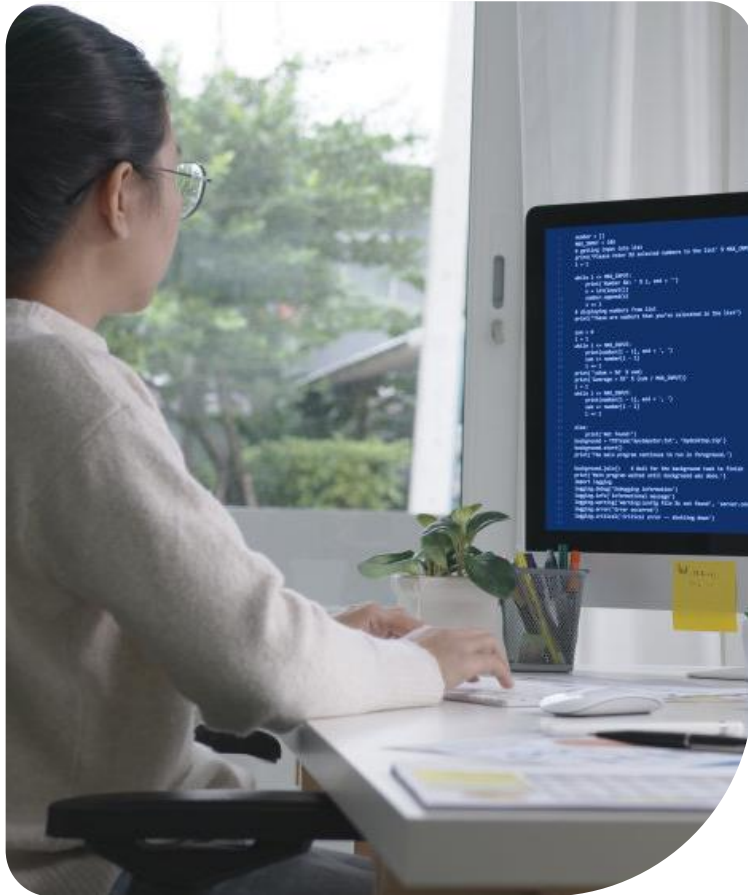
The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities. It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.



# Introduction and headlines (continued)

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## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be **£23.8 million** (PY £16.18 million) for the Pension Fund, which equates to 1.75% of your gross investment assets as at 31 March 2024. This increase reflects national changes to the benchmark percentages we set for Public Sector audits.

We have determined a lower specific planning materiality for the Fund Account of **£7.15 million** (PY £5.4m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial for both elements of the Accounts has been set at **£1.19 million** (PY £850,000).

## Audit logistics

Our interim visit took place in March and our final accounts visit will take place from July to September. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is **£97,945** (PY: £94,724) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian independently values some of the Pension Fund's Level 2 Investments. This means we will be able to triangulate the valuations included in the financial statements for these investments to custodian and investment manager confirmations. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments. See page 14 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.


# 03 Identified risks

# Significant risks identified

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


Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls <div>Significant</div>	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <ul style="list-style-type: none"><li>Undertake a review of accounting estimates, judgements and decisions made by management</li><li>Perform detailed testing of journal entries processed during the course of the year</li><li>Undertake a review of any unusual significant transactions</li><li>Incorporate an element of unpredictability into our audit procedures</li></ul>

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

# Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of Level 3 Investments	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (£285 million) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.	We will: <ul style="list-style-type: none"><li>• Evaluate management's processes for valuing Level 3 investments;</li><li>• Obtain and review the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations will be compared accounting for cashflows;</li><li>• Obtain and review the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate;</li><li>• Review purchase and sale transactions of the investments close to the reporting date where appropriate;</li><li>• Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;</li><li>• Review management's classification of the assets;</li><li>• Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.</li></ul>

Significant

Relevant Assertion(s)

Valuation, Existence

Applicable Assertion(s)

Rights & Obligations,  
Presentation

Planned level of control reliance

None



# Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition;</li><li>• opportunities to manipulate revenue recognition are very limited; and</li><li>• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li></ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	<p>We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate expenditure recognition;</li><li>• opportunities to manipulate expenditure recognition are very limited; and</li><li>• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li></ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

# Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an ‘other risk’ is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
<div>Valuation of Level 2 Investments</div> <div>Significant class of transactions</div> <div>Relevant Assertion(s)</div> <div>Existence, Valuation</div> <div>Applicable Assertion(s)</div> <div>Rights &amp; Obligations, Presentation</div> <div>Planned level of control reliance</div> <div>None</div>	<div>Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. As a result, the valuation of the Fund’s Level 2 investments have been identified as ‘other risk’ of material misstatement.</div>	<div>We will:</div> <div><ul style="list-style-type: none"><li>• Agree the valuation to the confirmation received from the investment manager;</li><li>• Agree the valuation to the confirmation received from the custodian;</li><li>• Agree the valuation back to quoted prices at year-end where available;</li><li>• Compare the valuation to purchase and sale transactions near the reporting date (where appropriate);</li><li>• Review the guidelines under which the investment has been valued (where appropriate);</li><li>• Obtain and review a service auditor’s report on internal controls for the investment manager;</li><li>• Review management’s classification in the fair value hierarchy for a sample of level 2 investments;</li><li>• Carry out more detailed testing where the planned procedures do not provide sufficient assurance.</li></ul></div>
<div>Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26</div> <div>Significant class of transactions</div> <div>Valuation</div> <div>Applicable Assertion(s)</div> <div>Presentation</div> <div>Planned level of control reliance</div> <div>None</div>	<div>The disclosure of the Fund’s Actuarial Present Value of Promised Retirement Benefits is an accounting estimate (net asset of <b>£23,000</b> as at 31<sup>st</sup> March 2024 with FV of assets at <b>£1.378 billion</b> and PV of retirement benefits at <b>£1.355 billion</b>) and is sensitive to changes in key assumptions. The Pension Fund engage the services of a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. As a result, the disclosure of the Fund’s Actuarial Present Value of Promised Retirement Benefits have been identified as ‘other risk’ of material misstatement.</div>	<div>We will:</div> <div><ul style="list-style-type: none"><li>• Update our understanding of the processes and controls put in place by management to ensure that the Fund’s Actuarial Present Value of Promised Retirement Benefits is not materially misstated;</li><li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work;</li><li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Fund’s valuation;</li><li>• Assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability;</li><li>• Test the consistency of disclosures with the actuarial report from the actuary; and</li><li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report.</li></ul></div>

# Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an ‘other risk’ is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Cash and cash equivalents <div>Significant class of transactions</div> Relevant Assertion(s) Completeness, Existence Applicable Assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement.	We will: <ul style="list-style-type: none"><li>Obtain direct confirmations for all bank accounts</li><li>Obtain monthly bank reconciliations as at the year-end and for one month post year-end, and</li><li>Where material, reconciling items will be tested to confirm clearance through the bank account after the year-end</li></ul>
Benefits payable <div>Significant class of transactions</div> Relevant Assertion(s) Accuracy Applicable Assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	Pension benefits payable represents a significant percentage of the Fund’s expenditure.	We will: <ul style="list-style-type: none"><li>evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;</li><li>gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;</li><li>test a sample of lump sums and associated individual pensions in payment by reference to member files; and</li><li>test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.</li></ul>
Contributions receivable <div>Significant class of transactions</div> Relevant Assertion(s) Completeness Applicable Assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	Contributions from employers and employees represents a significant percentage of the Fund’s revenue.	We will: <ul style="list-style-type: none"><li>evaluate the Fund's accounting policy for recognition of contributions for appropriateness;</li><li>gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls;</li><li>test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and</li><li>test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.</li></ul>

# Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an ‘other risk’ is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Financial instrument disclosures	Financial instrument and associated risk disclosures provide assisting users in understanding and evaluating:	We will: <ul style="list-style-type: none"><li>• Update our understanding of the processes and controls put in place by management to prepare the financial instrument disclosures</li><li>• Document and evaluate the Fund’s accounting policies for appropriateness and consistency</li><li>• Evaluate the instructions issued by management to their management expert/information provider for these disclosures</li><li>• Test the consistency of disclosures with the actuarial report from the actuary;</li><li>• For all material financial instrument disclosures confirm they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments</li></ul>
Significant class of transactions		
Relevant Assertion(s)		
Accuracy	<ul style="list-style-type: none"><li>• The significance of financial instruments to the entity’s financial position and performance.</li><li>• The nature and extent of risks from financial instruments during, and at the close of, the reporting period.</li><li>• How the Fund manages these risks.</li></ul>	
Applicable Assertion(s)		
Completeness, Presentation		
Planned level of control reliance		
None		

# Other matters

## Other work

The Pension Fund is administered by the London Borough of Hammersmith and Fulham (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# 04 Our approach to materiality

# Our approach to materiality

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

Matter	Description	Planned audit procedures
01	<b>Determination</b> We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"><li>We determine planning materiality in order to:<ul style="list-style-type: none"><li>establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li><li>assist in establishing the scope of our audit engagement and audit tests</li><li>determine sample sizes and</li><li>assist in evaluating the effect of known and likely misstatements in the financial statements.</li></ul></li></ul>
02	<b>Other factors</b> An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"><li>An item may be considered to be material by nature when it relates to instances where greater precision is required.</li><li>Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.</li></ul>
03	<b>Reassessment of materiality</b> Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"><li>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality</li></ul>
04	<b>Matters we will report to the Audit Committee</b> Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"><li>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</li><li>In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than <b>£1.19 million</b> (PY £850k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</li></ul>



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)



# Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund’s financial statements	23,800,000	<ul style="list-style-type: none"><li>Headline materiality for planning equates to 1.75% of your gross investment assets as at 31 March 2024.</li></ul>
Performance materiality for the Fund’s financial statements	15,915,000	<ul style="list-style-type: none"><li>Performance materiality for planning has been capped in respect of Headline Materiality at the Council and their % share of the Pension Fund</li></ul>
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	7,150,000	<ul style="list-style-type: none"><li>Complexity of contribution and benefit structures</li><li>Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the fund account) as at 31 March 2024.</li></ul>
Specific Performance materiality for the Fund Account	5,362,500	<ul style="list-style-type: none"><li>Performance materiality for the Fund Account equates to 75% of the Specific Materiality for the Fund Account</li></ul>
Triviality to be applied across the Accounts	1,190,000	<ul style="list-style-type: none"><li>Triviality for the Fund Account equates to 5% of Headline Materiality</li></ul>

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# 05 IT audit strategy

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
General Ledger	Financial reporting	<ul style="list-style-type: none"><li>ITGC assessment (design, implementation and operating effectiveness)</li><li>Application controls assessment (Revenue, Procurement, Payroll)</li></ul>
Pension Administration System (UPM)	Member Data	<ul style="list-style-type: none"><li>ITGC assessment (design, implementation and operating effectiveness)</li><li>Application controls assessment (Interface to SAP)</li></ul>

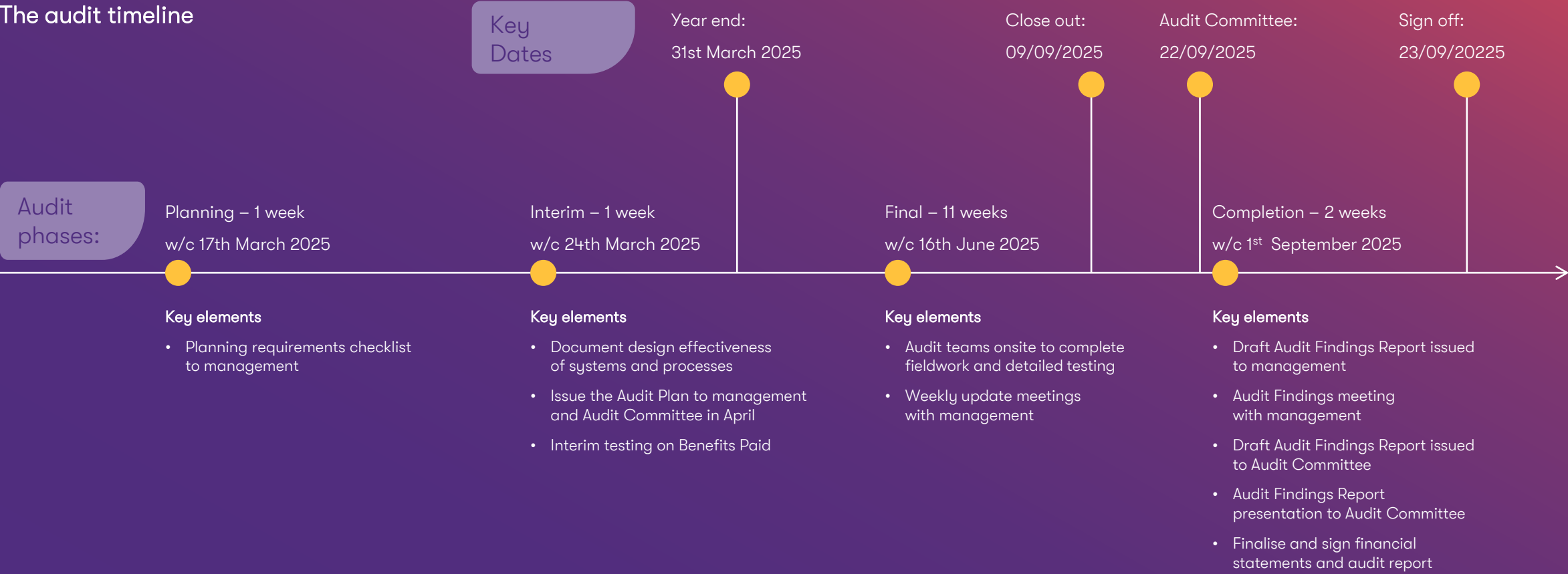
# 06 Logistics

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# Logistics

## The audit timeline

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# Our team and communications

## Grant Thornton core team

**Matt Dean**  
Engagement Lead/  
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

**Nick Halliwell**  
Senior Audit Manager

- Key contact for senior management and Audit Committee
- Overall quality assurance

**Oliver Moore**  
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Pool of specialists and other technical specialists (IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• Client Surveys</li></ul>	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• Audit Progress and Sector Update Reports</li><li>• The Audit Findings Report</li><li>• Auditor’s Annual Report</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications	<ul style="list-style-type: none"><li>• Open channel for discussion</li></ul>		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# 07 Fees and related matters

# Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

### Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

### PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for the London Borough of Hammersmith and Fulham Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2024/25 audit is £97,945.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Description	Audit Fee for 2023/24	Proposed fee for 2024/25
	(£)	(£)
Pension Fund Audit	94,724	97,945
Total (Exc. VAT)	94,724	97,945

\*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

### Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

### Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

### Previous year

In 2023/24 the scale fee set by PSAA was £94,724 which was the final fee for the audit.

# 08 Independence considerations



# Independence considerations

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering 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 Fund and/or Administering Authority or investments in the Fund and/or Administering Authority 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 Fund/Administering 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 Fund and/or Administering 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 Fund’s and/or Administering Authority’s board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

# **09 Communication of audit matters with those charged with governance**

# Communication of audit matters with those charged with governance

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Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
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	●	●
Views about the qualitative aspects of the Fund'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		●
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		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## 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.

# 10 Delivering audit quality

# Delivering audit quality

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## Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

### Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

### Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

### Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

## How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

## The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

## Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

## Oversight and control

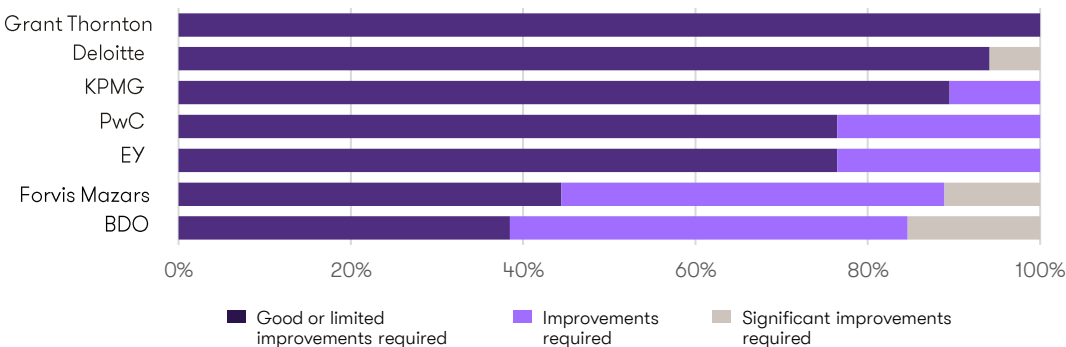
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell  
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection  
(% of files awarded in each grading, in the most recent report for each firm)



# 11 Appendices

# Escalation Policy



## The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

## Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

### Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

### Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

### Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

### Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the Audit Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

### Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

## Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

# IFRS reporters New or revised accounting standards that are in effect

## First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. 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.
- This year will be the first year IFRS 16 is adopted fully within Local Government. It is not expected to have a significant impact on pension fund accounts and auditors.

## IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

## Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.



# IFRS reporters Future financial reporting changes

## IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

## Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

## Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

## IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

## IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

# The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

## 01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

### What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

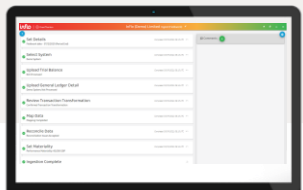


## 02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

### What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

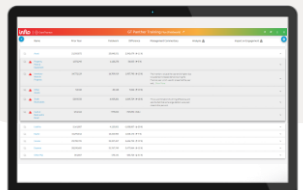


## 03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

### What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 9 June 2025

**Subject:** Head of Internal Audit Annual Report 2024/25

**Report of:** David Hughes, Director for Audit, Fraud, Risk and Insurance

**Responsible Director:** Director for Audit, Fraud, Risk and Insurance

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### Summary

This report summarises the work of Internal Audit in 2024/25 and provides the opinion of the Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion is provided for the use of the London Borough of Hammersmith and Fulham and is used to support its Annual Governance Statement.

The report sets out a consistent level of assurance being obtained and provided for 2024/25 through the work of internal audit. This reflects the commitment to a robust assurance framework being led by the Chief Executive, through monthly SLT Assurance meetings, and through the delivery of the Ruthlessly Financially Efficient programme of the Council.

### Recommendation

For the Committee to note the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment (para 11) and to consider whether there are any areas the Committee would like to explore further.

**Wards Affected:** None

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### H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
Building a shared prosperity	Internal audit work covers a wide range of services including those which are delivered in partnership with local and national companies. Assurance may be required over governance arrangements to demonstrate the benefit to residents of co-delivered services.
Creating a compassionate council	Internal audit provides assurance that the Council's resources are managed appropriately to provide the most effective support to the most vulnerable residents.

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
Doing things with residents, not to them	Where engagement with residents is part of service development, internal audit will consider how well co-production and resident access is embedded in a process.
Being ruthlessly financially efficient	The work undertaken by Internal Audit helps to ensure that management have robust controls and practices in place to safeguard the Council's assets, controlling expenditure and maximising potential income to protect and invest in essential frontline services which are in place to meet the Council's priorities.
Taking pride in H&F	Investment in public realm services such as waste collection, street cleaning and open/park spaces is significant. The internal audit strategy identifies services for cyclical review, including contract management for outsourced services and performance delivery for in-house services.
Rising to the challenge of the climate and ecological emergency	Internal Audit consider the impact of strategies, including, the Climate and Ecology Strategy, in a number of different reviews that form part of the Internal Audit Plan.

### **Contact Officers:**

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### **Background Papers Used in Preparing This Report**

None.

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## **DETAILED ANALYSIS**

1. From the Internal Audit work undertaken in the financial year 2024/25, reasonable assurance can be provided that the systems of internal control are effective with 91% of the audits undertaken receiving a positive assurance opinion, with four Substantial Assurance audits issued. No Nil Assurance audits have been reported for the ninth consecutive year. Given the way in which the Audit Plan is constructed, it is not unusual for some reviews to be given a Limited Assurance rating and this does not indicate that there are pervasive issues with the Council's control environment but that there are actions required in specific areas to improve controls (Appendix 1).
2. There are some areas where control improvements are required and compliance with agreed systems could be improved. In each case, action plans are either in place, or have already been implemented, to remedy the weaknesses identified. These will be followed up by the internal audit team until they are completed.
3. The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.
4. The report is a key element of the evidence supporting the Annual Governance Statement (AGS), which will be presented separately to the Committee with the Annual Accounts.

### **Internal Audit Work 2024/25**

5. The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. This contributes to the Council priority of being Ruthlessly Financially Efficient. Detailed reports on the performance and outcomes of the internal audit work undertaken, have been presented regularly to the Council's Section 151 Officer and at each meeting of the Audit Committee.
6. Wherever possible, when planned audits are postponed, alternative work is identified or alternative sources of assurance are sought. Three audits are shown as in progress in Appendix 1 and five audits were deferred until 2025/26, by agreement with the service (Appendix 2). The Internal Audit service has also liaised closely with the Council's senior managers to prioritise the audit work undertaken and to assist them in identifying other sources of assurance including the Directors' Assurance Statements which were completed at the end of the financial year.
7. The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). One of the requirements of the PSIAS is that the Head of Audit confirms to the Committee, at least annually, the organisational independence of the internal audit activity. The [Internal Audit Charter](#) reinforces this requirement.

### **Declaration of independence and objectivity**

The reporting and management arrangements in place are appropriate to ensure the organisational independence of the Internal Audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity.

### **Head of Internal Audit**

8. A self-assessment has confirmed that the Internal Audit Service has been delivered in compliance with the expectations of the Public Sector Internal Audit Standards (PSIAS).
9. The Institute of Internal Auditors (IIA) published new Global Internal Auditing Standards (GIAS) in January 2024 with the Internal Audit Standards Advisory Board (IASAB) and CIPFA publishing the Global Internal Audit Standards in the UK Public Sector Application Note, in December 2024. During 2024/25, the existing Internal Audit Strategy and Charter were reviewed and updated to take into account the requirements of the new Standards. The updated [Internal Audit Strategy](#) and [Charter](#) were presented to the Audit Committee in March 2025.

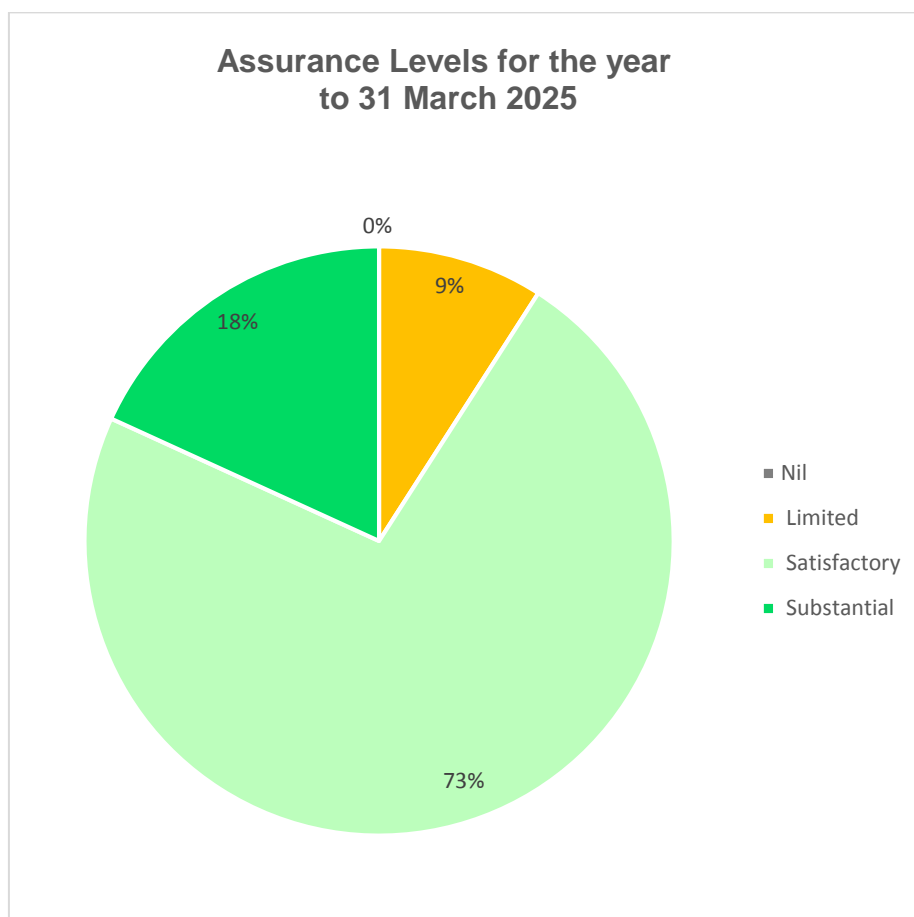
### **Internal Audit Opinion**

10. As the provider of the internal audit service to the London Borough of Hammersmith and Fulham, the Director of Audit, Fraud, Risk and Insurance is required to provide the Section 151 Officer and the Audit Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion, it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance.
11. The opinion is that, at the time of preparing this report and based upon the work completed this year, the Council's governance, risk management and internal control systems in the areas audited were adequate with the exception of those areas detailed as Limited Assurance (see paragraph 14 below and Appendix 3). This is a positive opinion which means that the Council generally has effective internal control systems with 91% of audits receiving a positive assurance opinion (89% in 2023/24). No Nil Assurance reports have been issued again this year.
12. In the above context it should be noted that:
  - This opinion is based solely upon the areas reviewed and the progress made by the Council to action internal audit recommendations.
  - Assurance can never be absolute neither can internal audit work be designed to identify or address all weaknesses that might exist.
  - Responsibility for maintaining adequate and appropriate systems of internal control resides with Council management, not internal audit.



13. Issues arising from Internal Audit work which have significant implications for the Council's assurance framework, will be included in the Annual Governance Statement which is reported separately to this Committee. The Annual Governance Statement also ensures that follow up action is taken to remedy the key control weaknesses found.

**Chart showing assurance levels**



### Limited Assurance Reviews

14. There were a few areas where improvements in compliance with controls were needed with a total of two audits being designated as limited assurance as set out in the table below:

Service Area	Audited Area	Reported to Audit Committee
People: Children's	No Recourse to Public Funds	June 2025
People: Adult Social Care	Client Affairs (Draft)	June 2025

## **Substantial Assurance Reviews**

15. As identified earlier in the report, four Substantial Assurance reviews were issued in 2024/25 in respect of:
  - NNDR;
  - Elections Readiness;
  - Revenues & Benefits Application Review; and
  - Housing Health & Safety – Water Hygiene.

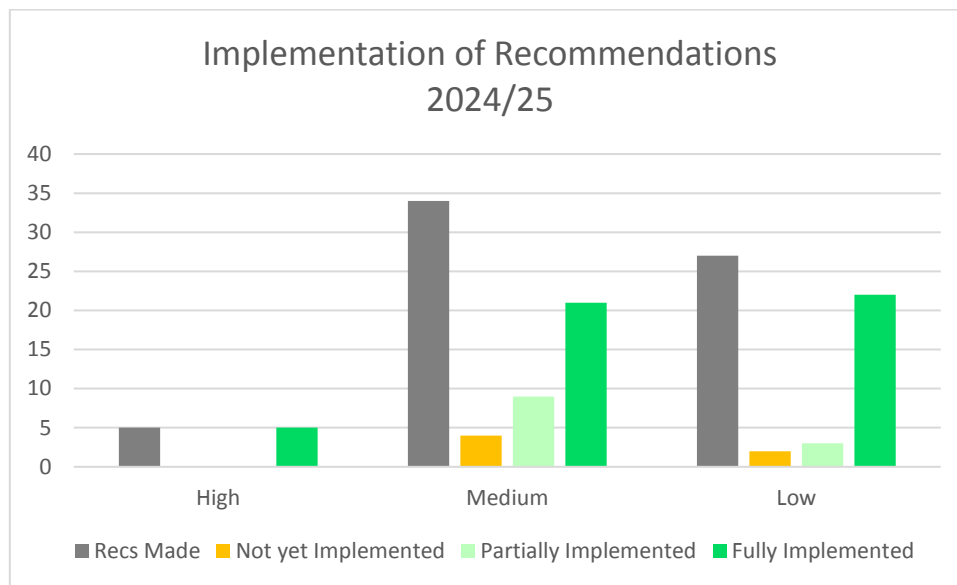
## **Managed Services – Finance, HR and Payroll Systems**

16. The Council's Finance, HR and Payroll systems are provided by the Integrated Business Centre (IBC) within Hampshire County Council (HCC).
17. In addition to the assurances provided by HCC, the Council is required to apply complementary controls, with Internal Audit carrying out reviews.

## **Follow up Audits**

18. The implementation of audit recommendations is reported regularly to SLT Assurance and to the Audit Committee.
19. Follow up work is undertaken when most of the recommendations made are expected to have been implemented as indicated in an agreed management action plan. Sometimes recommendations cannot be fully implemented in the anticipated timescales. In these cases, where appropriate progress is being made to implement the recommendations, these are identified as partly implemented. Recommendations will be followed up until all high and medium priority recommendations are implemented or good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area.
20. Sixty-six (66) recommendations were followed up in 2024/25 and the implementation of medium and high priority recommendations had been consistently effective with 91% of all recommendations fully or partially implemented. Six recommendations had not been implemented at the time of the follow up (4 medium and 2 low priority recommendations).

**Chart showing implementation of recommendations**



21. Details of the recommendations not yet fully implemented are contained in Appendix 4.

### **Additional Sources of Assurance**

22. In addition to assurance audits undertaken during the year, the service has provided support and guidance in several areas including:
- Business Continuity Planning
  - Pensions Administration

This type of engagement with the services is considered when determining the overall opinion of the Council's governance, risk management and internal control systems together with outcomes provided from internal compliance and quality assurance checks, peer reviews and assessments from external bodies such Ofsted and the Care Quality Commission.

23. In respect of Pensions Administration, the Council receives assurances both through the work carried out by the Local Pensions Partnership Administration (LPPA) Internal Audit Team and the formal annual review of controls carried out by LPPA's external auditor, which takes the form of an Audit and Assurance Faculty (AAF) Type 2 report, which is due to be received shortly from LPPA. An AAF Type 2 report provides assurance both on the design and operation of controls over the specified period (financial year).
24. The Director of Audit, Fraud, Risk and Insurance, the Head of Internal Audit and the Risk and Assurance Manager, also attend meetings of groups across the Council where they contribute and provide advice and challenge where appropriate. During 2024/25, the following were attended:

- SLT Assurance, which is chaired by the Director of Audit, Fraud, Risk and Insurance
- Civic Campus Assurance Board, which is chaired by the Director of Audit, Fraud, Risk and Insurance)
- Contracts Assurance Board, of which the Risk and Assurance Manager is a core member
- Directorate Leadership Teams for regular discussions regarding Internal Audit work and directorate risk registers
- Housing Residents and Building Safety Board
- Cyber Security group, chaired by the Chief Executive
- Procurement Act working group
- Fraud, Error, Recovery Hub Steering Group
- Health and Safety Board
- Service Resilience Group

### **Assurance on Risk Management**

25. As an organisation the Council must ensure that it is delivering against priorities and requirements (political, community and statutory), that it is managing its processes effectively (finance, procurement, governance) and making best use of its resources (money, assets, people). This requires the Council to look both inwardly (to ensure we have effective governance and controls) but also outwardly at risk (e.g., to the risk to citizens, to protect citizens and build resilience).
26. The Senior Leadership Team (SLT) is responsible for providing sufficient assurance against risks and opportunities that affect (or impact upon) the Council and its citizens and communities. It sets the standards and ensures the Council has the right policies, practices and behaviours in place for effective assurance and risk management and is responsible for ensuring that new and emerging risks are identified, captured and appropriate mitigations are put in place.
27. The Council's Corporate Risk Register is reviewed by the Senior Leadership Team at least four times a year and the Register is reported at regular intervals to the Audit Committee for review and comment. SLT Assurance also undertakes deep dives into departmental risks registers, both to give assurance around departmental risk management arrangements and to identify potential additions to the Corporate Risk Register.
28. A new [Risk Management Strategy](#) was developed during 2024/25 which was approved by the Audit Committee in March 2025.
29. During 2024/25 an audit of the Council's Risk Management arrangements was undertaken and the Council's approach to identifying and managing risks was provided with Satisfactory Assurance. Two medium priority recommendations were made in respect of the following:
  - Increasing awareness and application of the Risk Management Strategy and supporting procedures and identifying who requires specific risk management training and implementing the training.

- There was a lack of a uniform and consistent approach to escalating risks from the Department Risk Registers to the Corporate Risk Register.

The implementation of the recommendations made in the audit will be discussed with the Council's Senior Leadership Team during 2025/26.

### **Assurance on Corporate Governance**

30. Officers have undertaken an internal review to support the preparation of the draft Annual Governance Statement which will be reported to the Committee alongside the Council's draft Annual Accounts 2024/25 at its July 2025 meeting.
31. Each year, the Council's Directors complete an Assurance Statement which is an opportunity for them to assess the governance arrangements and sources of assurance within their department. Any significant issues should be identified and would feed into the Council's Annual Governance Statement. Internal Audit periodically test the content of Directors Assurance Statements, both to confirm their accuracy and to build upon our own picture of assurance across the Council.
32. The Council's corporate governance framework is considered to comply with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

### **Consultation**

33. The Director of Audit, Fraud, Risk and Insurance is required to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. To enable this, an Internal Audit Plan covering the Council's key risks is devised in consultation with the Strategic Leadership Team and the work performed through this plan forms the basis of the annual opinion.

### **Legal Implications**

34. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
  - a. Facilitates the effective exercise of its functions and the achievement of its aims and objectives.
  - b. Ensures that the financial and operational management of the authority is effective, and
  - c. Includes effective arrangements for the management of risk.
35. Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
36. The Constitution gives the Strategic Director of Finance responsibility for complying with the Regulations. The Audit Committee has responsibility for advising on strategic processes for risk, control and governance and the

Statement on Internal Control. This report fulfils the obligations in the Regulations and the Constitution.

37. There are no particular legal implications arising from this report.

*Implications verified by Grant Deg, Director of Legal Services on 23 May 2025.*

### **Financial Implications**

38. The internal audit plan was delivered within the approved revenue budget for the service for 2024/25. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

39. Any resource implications from the implementation of the recommendations by services have to be contained within the relevant Directorate approved budgets.

*Implications verified by Sukvinder Kalsi, Executive Director of Finance on 23 May 2025.*

### **Risk Management**

40. The internal audit plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

*Implications verified by Moira Mackie, Head of Internal Audit, on 22 May 2025.*

### **List of Appendices:**

- Appendix 1 Audits completed in 2024/25 and work in progress
- Appendix 2 Changes to the 2024/25 Audit Plan
- Appendix 3 Internal Audit Plan 2024/25 – Final Progress Report
- Appendix 4 Follow up of Implementation of Recommendations

## Audit work completed in 2024/25

Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs
<b>Cross cutting</b>	Business Continuity Planning (2023/24)	Apr-25	Advisory	1	3	1
<b>Cross cutting</b>	Risk Management	May-25	Satisfactory	0	2	1
<b>Corporate Services</b>	NNDR (2023/24)	Jan-25	<b>Substantial</b>	0	1	0
<b>Corporate Services</b>	Elections Readiness	-	<b>Substantial</b>	0	0	0
<b>Corporate Services</b>	FOIs, SARs & Member Enquiries	Jan-25	Satisfactory	0	2	1
<b>Corporate Services</b>	Digital Services Resilience	Mar-25	Satisfactory	0	0	5
<b>Corporate Services</b>	Integrated Housing Management System (IHMS)	May-25	Satisfactory	0	2	1
<b>Corporate Services</b>	Revenues & Benefits Application	May-25	<b>Substantial</b>	0	0	1
<b>Finance</b>	Treasury Management	Feb-25	Satisfactory	0	1	2
<b>People</b>	Local Safeguarding Children's Partnership (2023/24)	Jun-24	Satisfactory	0	2	2
<b>People</b>	Public Health Substance Misuse Procurement (2023/24)	Apr-25	Satisfactory	0	3	3
<b>People</b>	Supporting Families – Claims Compliance	Mar-25	Satisfactory	0	0	0
<b>People</b>	No Recourse to Public Funds	May-25	<b>Limited</b>	1	3	0
<b>People</b>	Compliments & Complaints (2023/24)	Aug-24	Satisfactory	0	3	2



Plan Area	Auditable Area	Issued	Assurance level given	High Priority Recs	Medium Priority Recs	Low Priority Recs
People	Client Affairs DRAFT	May-25	Limited	2	5	2
Schools	All Saints CE Primary	Oct-24	Satisfactory	1	6	5
Schools	Kenmont Primary	Nov-24	Satisfactory	1	5	7
Housing	Health & Safety – Asbestos	Jan-25	Satisfactory	0	1	1
Housing	Health & Safety – Water Hygiene	May-25	Substantial	0	0	2
Place	Trading Standards (2023/24)	Jun-24	Satisfactory	0	2	8
Place	Licensing (2023/24)	Jul-24	Satisfactory	0	3	4
Place	Waste Contract - Monitoring	Apr-25	Satisfactory	0	3	1
Place	Emergency Planning DRAFT	Mar-25	Satisfactory	0	1	2

### 2024/25 Audit work in progress

Plan Area	Auditable Area	Status
Finance	Housing Rents	Review of additional testing in progress.
Housing	Health & Safety – Electrical	Draft report due.
Place	FM Health & Safety Compliance	Draft report due.

**Changes to the 2024/25 Internal Audit Plan**

Some audits originally included in the 2024/25 plan were re-scheduled as the timing of the audits wasn't appropriate. The following audits are now scheduled for inclusion in the 2025/26 plan:

- Coroner's Service
- Adults Direct Payments
- Home Care Contract Management
- Housing Allocations
- Leaseholder Charges Debt Management

## Internal Audit Plan 2024/25 – Final Progress Report

## 1. Audit Outcomes

- 1.1 Four assurance levels are used and when an audit is completed, an assurance opinion is provided. A description of each of the assurance levels is summarised below:

Assurance Level	Description
<b>Substantial Assurance:</b>	There is a sound system of internal control designed to achieve their objectives and the control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is generally a sound system of internal control, there are weaknesses which put some of the objectives at risk; and/or there is evidence that the level of non-compliance with some of the control processes may put some of the objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal control are such as to put the objectives at risk; and/or the level of non-compliance puts the objectives at risk.
<b>Nil Assurance:</b>	Control processes are generally weak, leaving the processes/systems open to significant error or abuse; and/or Significant non-compliance with basic control processes/systems open to error or abuse.

- 1.2 Recommendations are categorised according to the table below:

Priority	Description
High (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk
Low (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## 2. Limited Assurance Audits

Details from the two Limited Assurance audits are summarised in the table below:

Ref	Audit	Details
1	No Recourse to Public Funds	<p>The Council is committed to supporting refugees, asylum seekers, and people from abroad. Families who are found to be eligible for NRPF are paid according to the composition of their family and minimum rates are set by the government, known as National Asylum Support Services (NASS). Those rates represent a minimum payment, and the Council pays cases in the borough at a higher rate, in acknowledgment of the high cost of living in London. Testing identified:</p> <ul style="list-style-type: none"> <li>Cases where relevant documents demonstrating eligibility were not stored on the case management system (Mosaic). A <b>high</b> priority recommendation was made, and the service confirmed that all cases identified were reviewed and confirmed as eligible for payment. The service has also reviewed their Protocol to include detailed checklists for the documentation required to support cases and a new tracker* has been developed to ensure compliance with timeframes.</li> <li>A lack of formal performance indicators by which the NRPF Review Panel can measure performance and no reporting on the time-bound tasks within the NRPF Protocol. A <b>medium</b> priority recommendation was made, and the service confirmed that the new tracker* incorporates all of the required performance indicators.</li> <li>Training is undertaken intermittently, and attendance records were not kept, nor are training materials shared or retained. We were informed that the last training took place in 2022 and additional training was due to be delivered in October 2024. A <b>medium</b> priority recommendation was made, and the service has confirmed that a number of staff attended a refresher introductory training in March 2025 and social services specific training at the beginning of April 2025. Training will be recorded and monitored to ensure that attendance and content are kept up to date and will be reviewed at the quarterly NRPF Panel meetings.</li> <li>The Council's NRPF Protocol was out of date and did not include all the required details, such as process changes due to remote working and budget monitoring. While the Protocol was out of date and was not version controlled to indicate its review and approval schedule, it was confirmed that the processes contained do represent the current processes for obtaining, approving, and retaining evidence. A <b>medium</b> priority recommendation was made, and the service has confirmed that they have reviewed the Protocol and updated it against best practice. A checklist of required documentation has been included in the refreshed Protocol and team meetings will be attended to reinforce the importance of maintaining records and working in line with the updated Protocol. The updated Protocol has been placed on Trix, the Children's Procedures Manual and it will be version controlled and reviewed annually.</li> </ul> <p>* The tracker will be monitored in the Early Help Service and overseen by the NRPF Panel, chaired by the Head of Service for Early Help. The Early Help duty managers will monitor /audit cases and report to the Panel. Oversight and scrutiny on performance will be provided to the Early Help Practice Board, chaired by the AD Performance and Improvement and will oversee any necessary action plan.</p>

Ref	Audit	Details
2	Client Affairs – Draft	<p>When a resident of the Borough lacks physical and/or mental capacity to manage their own financial affairs, the Council has a discretionary duty to deal with their financial affairs. The Adult Social Care department can apply to become a Corporate Appointee to manage the person's Department of Works and Pensions (DWP) benefits. This could include the payment of utility bills and the release of funds for personal needs.</p> <p>If a resident lacks the capacity to manage their own affairs under the Mental Capacity Act 2005, the Client Affairs team submits applications to the Court of Protection (on behalf of the Director of Adult Social Care) to be appointed as a Deputy to manage the property and affairs of people who lack the capacity.</p> <p>Sample testing confirmed in all cases reviewed, a Mental Capacity Assessment was provided by the Social Workers and saved onto Mosaic. In addition, the property storage companies used to store clients' physical possessions were approved suppliers on the Council's Financial Management. In all cases tested in respect of client deaths confirmed that the DWP were notified within seven days of the death.</p> <p>Some weaknesses in controls were identified with two high, five medium and two low priority recommendations made. The high and medium priority recommendations were made in respect of the following:</p> <ul style="list-style-type: none"> <li>• There was no regular performance monitoring or reporting on the Client Affairs Service overall performance and the management of Client Affairs cases <b>(high priority)</b>.</li> <li>• Deputyships should be set up promptly upon receipt of a Mental Capacity Assessment referral from the relevant Social Worker. Examination of the Standard Operating Procedures for Functions of the Client Affairs team identified that there was no defined timescale for setting up Appointeeship and Deputyship Applications. We were informed that Client Affairs Officers were expected to complete an Appointeeship application within two weeks of a referral, and a Deputyship application within four weeks of a referral. Sample testing identified Deputyship cases where the Application was significantly over the four weeks target <b>(high priority)</b>.</li> <li>• There was no evidence of a formal process for conducting regular reconciliations between the bank accounts and the expected entitlements and bills paid. <b>(medium priority)</b>.</li> <li>• Compliance with the Standard Operating Procedures could not be evidenced as documentation of supervision sessions within the Client Affairs team was inadequate <b>(medium priority)</b>.</li> <li>• No evidence was provided of specific training content which outlined responsibilities and expectations for Social Workers or Client Affairs Officers when dealing with clients' affairs <b>(medium priority)</b>.</li> <li>• Client Affairs' procedures had not been followed consistently with testing identifying cases where the evidence provided did not demonstrate that the client bank account was set up promptly and where the appropriate documentation was not saved within the case management system, Mosaic <b>(medium priority)</b>.</li> <li>• There was no established process to charge Deputyship fees. Sample testing identified cases where a Deputyship fee should have been charged <b>(medium priority)</b>.</li> </ul> <p><b>The findings and recommendations from this audit have been discussed with the service who are preparing their response on actions required to address the recommendations made. An update on this audit will be provided to the Committee in September 2025, along with progress being made to implement the agreed actions.</b></p>

### Implementation of Recommendations 2024/25

The 13 medium priority recommendations not fully implemented at the time of the follow up are summarised in the table below and further follow up will be undertaken to confirm implementation.

Ref	Audit	High Priority	Medium Priority	Recommendation(s) in progress/ not implemented and original implemented date	Status	Revised Implementation Date
1	<p>ASC Supervision (Satisfactory)</p> <p>Audit Issued: August 2021</p> <p>Initial follow up: September 2023</p> <p>Next follow up: In progress (Oct 2024 but delayed accommodating the CQC inspection)</p>	0	2	<p>1) Line managers should be reminded of the importance of completing and submitting their supervision monitoring form (due Nov-2021).</p> <p>2) The Council should seek to undertake reporting of supervision to senior management monthly. KPIs should be introduced, which can be used to measure current performance (due Oct 2021).</p>	<p>1) Plan to complete and submit monitoring forms was instigated, however put on hold due to the Principal Social Worker (PSW) post being vacant. Now a Principal Social Worker is in post the recommendation is due to be implemented.</p> <p>2) Plan for KPIs to build into monitoring &amp; reporting systems was put on hold due the PSW vacancy. Now that a PSW is in post the recommendation is due to be implemented.</p>	<p>1) October 2023</p> <p>2) November 2023</p>
2	<p>Community Safety Anti-Social Behaviour (Satisfactory)</p> <p>Audit Issued: November 2023</p> <p>Initial follow up: September 2024</p> <p>Next follow up: Due Q2 2025/26</p>	0	2	<p>1) The Service should review their ASB and Community Trigger policies and procedures to ensure that they reflect updates to the Anti-Social Behaviour, Crime and Policing Act where necessary, and to ensure that they reflect best practice (due Apr 2024).</p> <p>2) The Council should review their Community Trigger Procedure and decide if they wish to keep the timescales as currently written and if they are feasible or adjust the Procedure so that it aligns with their current process. The Service should introduce a mechanism to monitor steps taken in community trigger review to provide an opportunity to the team to identify potential delays prior to occurring (due Oct 2023).</p>	<p>1) ASB Policy and Hate Crime Policy has been drafted and is awaiting sign-off on 24 July by Lead Members to allow for resident consultation. Current ASB Case Review Policy and process is being reviewed and updated.</p> <p>2) This work is scheduled as part of the overhaul of the ASB and Hate Crime procedures. There is a project manager in place to assist with the development of the ASB policies and procedures, of which this work is a feature.</p>	<p>1) October 2024</p> <p>2) September 2024</p>

Ref	Audit	High Priority	Medium Priority	Recommendation(s) in progress/ not implemented and original implemented date	Status	Revised Implementation Date
3	<p>Children's Services Direct Payments (Satisfactory)</p> <p>Audit Issued: November 2023</p> <p>Initial follow up: July 2024</p> <p>Next follow up: In progress (May 2025)</p>	0	2	<p>1) The Service should review the Direct Payment Policy to reflect that a specific 'care plan' does not exist, and it should reflect the actual process in practice. Furthermore, the Service should consider reviewing the defined requirement of parent/carer approval of the 'care plan' and consider whether the Policy should be amended to reflect the process in practice. Where the Service decides to keep the requirement of approval, the Service should ensure that they receive approval of the finalised care package from the parent/carer by undertaking a check prior to processing the payment to confirm this has taken place. Where agreement is outstanding, the Service should take proactive steps to engage with parent/ carer to receive this (due Mar 2024).</p> <p>2) The Council should consider formulating an action plan documenting and scheduling the reviews for all direct payments. Timeliness of the six-month monitoring reviews should be monitored to provide opportunity to identify where further resourcing may be needed to complete the reviews (due Dec 2023)</p>	<p>1) The direct policy and guidance have been updated to reflect that there is no longer a requirement for a specific 'care plan' document to be in place. The policy instead notes the need for agreed outcomes. However, this amended policy is not yet implemented, partly due to the general election, but is going through appropriate governance steps for approval prior to sharing with families. It is expected that the new policy will be implemented by end December 2024. The policy and guidance have been shared with Internal Audit.</p> <p>2) An audit started in October and individual casework actions were completed, no action plan was required. The April audit of 149 families is on-going. All 149 have been reviewed with actions for 84 completed. 22 have on-going significant actions mostly recovery of funds. The other 43 have minor issues which are in the process of being resolved (mostly explaining minor underusage).</p> <p>Some of the actions identified from the audit will be implemented alongside the new policy later this year.</p>	<p>1) December 2024</p> <p>2) December 2024</p>



Ref	Audit	High Priority	Medium Priority	Recommendation(s) in progress/ not implemented and original implemented date	Status	Revised Implementation Date
4	Cambridge School (Satisfactory) Audit Issued: June 2024 Initial follow up: April 2025 Next follow up: September 2025	0	2	1) The school needs to improve on raising POs in advance of purchases.  2) The leavers overpayment had not been recouped and actions required to reduce the risk of a re-occurrence.	1) The school is increasing the number of orders raised in advance of purchases and approval is obtained before all purchases.  2) Governors have been informed and a plan for recouping overpayments is to be agreed and improvements still being made to the process to avoid future instances.	July 2025
5	Climate Action Plan (Satisfactory) Audit Issued: February 2024 Initial follow up: April 2025 Next follow up: September 2025	0	5	1) Roles and Responsibilities across Departments assessed as not implemented. 2) Monitoring Departmental Progress against the Action Plan assessed as partly implemented. 3) Budget Process assessed as not implemented. 4) Clarity of Leadership Roles assessed as partly implemented. 5) Key Performance Indicators (KPIs) for Cabinet and SLT assessed as not implemented.	1) Monthly meetings with key services to be formalised and responsibilities for actions laid out in the Climate Action Plan to be delegated. 2) The service will quantify their progress against the Climate Action Plan in addition to using new and existing KPIs and qualitative updates. The revised implementation date is 31 <sup>st</sup> May 2025 3) The service will measure the impact of existing governance mechanisms to incorporate climate considerations into day-to-day spending of the Council. This will be used to identify further measures, and/or support, required. 4) There will be further engagement with political members. 5) Reviews of the KPIs and their coverage of the Climate Action Plan will continue, including opportunities to better reflect action / inaction in key areas. Development of SMART targets beyond Net Zero 2030 has been proposed.	June 2025  June 2025  June 2025  June 2025  June 2025

**Previously reported outstanding recommendations now implemented:**

Ref	Audit	High Priority	Medium Priority	Recommendation(s) previously outstanding	Confirmed as implemented
1	<p>William Morris Sixth Form (Limited)</p> <p>Audit Issued: October 2022</p> <p>Initial follow up: February 2024</p> <p>Next follow up: In progress (Oct 2024)</p>	1	0	<p>The Voluntary Fund Account(s) should be reconciled monthly with the reconciliation signed and dated by the appropriate officer. The reconciliation should be reviewed, by a second officer with this review evidenced.</p> <p>Voluntary Fund Accounts should be audited by a registered auditor on an annual basis and presented to the FGB for review and approval (due Feb 2023).</p> <p>The reconciliation was implemented in Feb-2022 when the new SBM joined.</p> <p>The 19-20 accounts were presented to the Finance Staffing and Resources Committee in May 2021. The accounts for 21-22 and 22-23 are still with the external auditor as the school had trouble finding paperwork for the 21-22 accounts which delayed the audit.</p> <p>Revised implementation date: May 2024</p>	December 2024

## London Borough of Hammersmith & Fulham

**Report to:** Audit Committee

**Date:** 09 June 2025

**Subject:** Corporate Anti-Fraud Service Annual Report – 1 April 2024 to 31 March 2025

**Report of:** David Hughes, Director of Audit, Fraud, Risk and Insurance

**Responsible Director:** Director for Audit, Fraud, Risk and Insurance

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### Summary

The Council takes its responsibilities to protect the public purse very seriously and is committed to protecting the public funds it administers. This report provides an account of fraud-related activity undertaken during the financial year 2024/25 to minimise the risk of fraud, bribery and corruption occurring within and against the Council.

The Corporate Anti-Fraud Service (CAFS) provides a complete, professional counter-fraud and investigation service for fraud attempted or committed against the Council. It demonstrates the Council's commitment to preventing, detecting, and discouraging fraud and corruption.

The Council identified 112 positive outcomes from 1 April 2024 to 31 March 2025. The fraud identified has a notional value of over £780,000. A further £384,000 was identified for recovery via confiscation orders granted at court under the Proceeds of Crime Act.

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### Recommendation

1. For the Committee to note and comment on the report.
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**Wards Affected:** None

Our Values	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	CAFS carries out a variety of proactive measures aimed at prevention and reactive investigations, covering a diverse range of services provided by the Council. By actively preventing and uncovering fraudulent activities and recovering money and assets obtained through fraud, CAFS ensures the safeguarding of essential frontline services for the benefit of residents.
Creating a compassionate council	CAFS undertake proactive (preventative) and reactive (investigations) counter-fraud activity across various Council services. By preventing and detecting fraud and recovering fraud

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
	loss, it protects vital frontline services and contributes to establishing a caring council.
Doing things with local residents, not to them	CAFS engages with residents and provides multiple reporting channels so that concerns about fraud against the Council can be reported and investigated.
Being ruthlessly financially efficient	CAFS supports the Council in its statutory obligation under Section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of preventing and detecting fraud and corruption.
Taking pride in H&F	CAFS collaborates with a wide range of services to integrate fraud prevention measures into its operations. The service promotes its work, particularly successful outcomes achieved, demonstrating the Borough's commitment to tackling fraud.
Rising to the challenge of the climate and ecological emergency	CAFS seeks to ensure that the service supports the Council's aims and objectives around climate change and carbon reduction.

### **Contact Officer(s):**

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### **Background Papers Used in Preparing This Report**

None

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## **1. INTRODUCTION**

- 1.1. This report provides an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2024 to 31 March 2025 to minimise the risk of fraud, bribery and corruption occurring within and against the Council.
- 1.2. CAFS remains a shared service providing the Council with a complete, professional counter-fraud and investigation service for fraud attempted or committed against the Authority.
- 1.3. The report also details activity and performance against the Council's Anti-Fraud and Corruption Strategy to assess its effectiveness, highlights some of the current and emerging areas of fraud risk and provides an overview of the effectiveness of the Council's arrangements to minimise the risk of fraud.
- 1.4. Between 1 April 2024 and 31 March 2025, the Council processed 92 new referrals and concluded 441 investigations. Conclusions varied from successful

prosecutions to preventative measures, actions to deter fraud, or no further action if no wrongdoing was found. Out of the concluded cases, 112 resulted in positive outcomes related to preventing, detecting, or recovering fraud loss.

1.5. The table below shows this activity and details the fraud types.

Activity	Cases	Fraud types	Closed	Live
Live cases as of 01/04/23	557	Tenancy & Housing cases	70	153
New referrals received	92	Internal Staff	8	17
NFI investigated matches	17	NFI	288	11
Closed investigations. (Positive outcome 112)	441	High/Medium risk fraud	11	11
		Low-risk fraud	54	13
Live cases as of 31/03/24	225	POCA	10	20

1.6 The 112 positive outcomes identified have a notional value of over £780,000, detailed in the following table. Additionally, £384,000 was identified for recovery via confiscation orders granted at court under the Proceeds of Crime Act.

Activity	Fraud proved.	Notional Values (£'s)
Housing application fraud	1	3,000
Right to Buy	5	94,750
Advisory Reports	2	8,000
<b>Prevention subtotal</b>	<b>8</b>	<b>105,750</b>
Tenancy Fraud	27	477,100
Internal Staff	4	21,370
High/Medium risk fraud (e.g. NNDR, Parking, Social Care)	5	46,262
Low-risk fraud (e.g. Freedom passes, Council Tax, SPD)	32	34,474
<b>Detection subtotal</b>	<b>68</b>	<b>579,206</b>
Criminal Prosecution	1	23,000
Press Release	1	2,000
<b>Deterrence subtotal</b>	<b>2</b>	<b>25,000</b>
National Fraud Initiative (fraud & error)	24	73,671
<b>Total</b>	<b>102</b>	<b>783,627</b>
<b>Recovery activity</b>		
Proceeds of Crime (POCA)	10	384,296

1.7 Calculating notional values helps quantify the financial benefits of counter-fraud efforts, highlighting savings from preventive actions or recovery through the Proceeds of Crime Act. However, not all fraud impacts can be measured monetarily, such as:

- Service disruption,
- Reputation damage and loss of trust,
- Impact on organisational culture and staff morale, recruitment, retention,
- Damage to relationships with partners and stakeholders.

- 1.8 Investing wisely in counter-fraud measures is crucial for delivering high-quality services to residents.

## **2. WHISTLEBLOWING**

- 2.1 The Council's whistleblowing policy encourages and protects employees who report suspected wrongdoing or malpractice within the Council, especially when it involves a potential public interest. It provides a safe and confidential process for raising concerns, ensuring that whistleblowers are protected from retaliation and that the reported issues are appropriately investigated.
- 2.2 Since 1 April 2024, CAFS has not received any new fraud referrals through the Council's whistleblowing policy. Nevertheless, in many cases, staff do not need to use the whistleblowing route or the protection of the Public Interest Disclosure Act 1998 to raise their concerns. Employees have consistently reported potential fraud throughout the year through other means, such as the CAFS hotline or investigation mailbox. For instance, numerous tenancy fraud cases that lead to property recovery often begin with referrals from housing officers.
- 2.3 In addition to referring cases of potential fraud, colleagues regularly approach CAFS for advice and guidance on anti-fraud controls or best practices for fraud prevention.

## **3. EMERGING ISSUES**

- 3.1 This section informs members about new fraud types, emerging trends, or risks.

### **Economic Crime and Corporate Transparency Act 2023**

- 3.2 The Economic Crime and Corporate Transparency Act 2023 (ECCTA) is aimed at strengthening the UK's ability to combat economic crime, including fraud, money laundering, and terrorist financing, and to enhance transparency around corporate entities.
- 3.3 While the Act is now law, not all changes will take effect immediately. They will be rolled out gradually under a government implementation timetable. This includes the new Failure to Prevent Fraud offence, which will come into effect on 1 September 2025.
- 3.4 Under the new offence, an organisation will be liable when an employee or agent commits a fraud offence for the organisation's benefit and the organisation does not have reasonable fraud prevention procedures in place.
- 3.5 Government guidance acknowledges that most public sector bodies are likely to have many of the elements of the fraud prevention framework already in place. However, CAFS is currently undertaking a risk assessment of the existing framework to ensure it is adequate as well as updating and reviewing existing policies and procedures.

- 3.6 In doing so, CAFS will follow the six principles of compliance laid out in the Government's guidance accompanying the new offence. Top-level commitment; Risk Assessment; Proportional procedures; Due diligence; Communication (including whistleblowing) and training; Monitoring, and review.

#### **4. ANTI-FRAUD AND CORRUPTION STRATEGY**

- 4.1 The new Anti-Fraud & Corruption Strategy 2024/27 commenced on 1 April 2024. It aims to drive the counter-fraud activity by using technology to increase proactive operations and collaborative work while remaining sufficiently agile to anticipate changing environments.
- 4.2 The Strategy is built on four pillars: Govern, Understand, Prevent, and Respond. This yearend report has been structured to demonstrate how counter-fraud activity has aligned with that Strategy throughout 2024/25.

##### **i) GOVERN**

- 4.3 This strategic element emphasises the importance of governance in supporting counter-fraud activities by embedding anti-fraud, bribery, and corruption measures throughout the organisation.

##### **Commitment to integrity**

- 4.4 The Council has established a comprehensive framework of procedures and policies that supports the prevention, detection, and response to fraud within the Council.
- 4.5 This framework promotes a culture of transparency, accountability, and compliance, which is essential to an effective anti-fraud strategy. Global controls include the governance structure (as outlined in the constitution), the Contracts Assurance Board, the Corporate Revenue and Capital monitoring processes, and anti-bribery and anti-fraud policies.
- 4.6 Procedures are regularly reviewed, and internal controls are tested and assessed through the internal audit process to ensure their effectiveness in preventing or detecting fraud to the greatest extent possible.
- 4.7 The framework also serves as a deterrent to potential fraudsters, demonstrating established rules and consequences for fraudulent actions. It provides clarity and consistency for the organisation, reducing ambiguity and helping prevent unintentional or opportunistic fraud.

## **Evaluating the anti-fraud response**

- 4.8 Counter-fraud activity is reported to the Audit Committee biannually, detailing performance and action in line with the Anti-Fraud and Corruption Strategy. This enables the Committee to review the effectiveness of the investigation process and the Anti-Fraud and Corruption Strategy.
- 4.9 CAFS reports on investigation outcomes, including successful detections, prevention activity, actions that deter fraud, or no further action where assurance is obtained that there is no requirement to answer.

## **ii) UNDERSTAND**

- 5.1 The Strategy denotes that the Council needs to understand how fraud, bribery, and corruption impact the organisation and mitigate the associated risks by providing proper support and assigning appropriate resources to tackle fraud.
- 5.2 The Council's comprehensive framework of anti-fraud policies and procedures forms the foundation for training programs. Employees must understand what constitutes fraud, how to identify it, how to report instances of fraud to the appropriate teams, and how to prevent it. This is supported by well-documented and communicated guidelines.

## **The financial impact of fraud**

- 5.3 CAFS has conducted a loss measurement review to evaluate the financial impact of fraud and inform risk assessments. This effort created a compendium of fraud values to estimate the financial savings or identified fraud losses from various counter-fraud activities CAFS undertook. The compendium will assess fraud values starting on 1 April 2025.
- 5.4 In developing methodologies for calculating notional values, CAFS endeavoured to apply a fair value based on key advantages or benefits derived from counter-fraud actions or interventions. When actual figures are unavailable, proxy values or estimates drawn from historical data or broader organisational and sector insights have been utilised.
- 5.5 To ensure that the figures used by CAFS are meaningful, they have been compiled using methodologies aligned with the following principles.
- Linked to a detection or intervention activity—The prevention must be aligned with a CAFS action, detection, or intervention.
  - Evidence or research-based - The methodology applied needs to derive from research or historical data.
  - Logical method of calculation that is reasonable and proportionate - The values used need to derive from logical methodologies. They must also be reasonable and proportionate to the activity.
  - Relevant to the organisation - We must account for organisational and regional differences in our calculations.



5.6 Methodologies also take account of deterrence, which aims to neutralise fraudulent intent. Including:

- Communicating the consequences of offending (i.e. communications and press releases)
- Providing information on the fraud response and counter-fraud success, including detection and monitoring (i.e. Audit Committee Reports)
- Publishing the sanctions policy (framework of anti-fraud policies and procedures)
- Highlighting the impact that fraud and corruption have on the organisation (i.e. fraud awareness)

### **iii) PREVENT**

6.1 The "Prevent" element of the Strategy focuses on taking action to avoid fraud losses. This involves using innovative data and proactive analysis to identify and implement fraud prevention measures and assessing existing controls against risks to recommend improvements where necessary.

#### **Fraud Hub**

6.2 The "Prevent" initiative aims to enhance fraud prevention by leveraging information, technology, and proactive data analysis. Therefore, the Council has joined the London NFI Fraud Hub, which offers a cost-effective solution for cross-boundary and internal data matching to identify fraud. It allows unlimited data uploads and generates real-time fraud matches as new data is submitted.

6.3 At the end of 2024, a dedicated investigation officer was appointed to manage the Hub, upload datasets, and investigate anomalies. The datasets include housing tenancies, waiting lists, resident parking, council tax reduction information and right to buy.

6.4 The first LBHF datasets were uploaded in January 2025, and over 2,550 outputs were generated for review in the last quarter of 2024/25. From these outputs, 98 records were cleansed and data corrected.

6.5 Cleansing data is crucial in the fight against fraud. It improves analytical accuracy, reducing the risk of missed fraudulent activities. The Hub analytic detection relies on spotting unusual patterns or anomalies which incorrect data can mask. Furthermore, clean data helps reduce the number of false alarms, allowing investigators to focus on genuine fraud cases instead of wasting time on errors caused by poor-quality data.

6.6 The matches also led to the discovery of an undisclosed tenant's death and the recovery of a one-bedroom property in Emlyn Gardens, W12. The housing officer contacted the next of kin, returned the keys, and voided the property.

This recovery alone has offset the Council's membership to the Hub and our share of the dedicated officer's cost for 2024/25.

### National Fraud Initiative

- 6.7 In parallel with the Fraud Hub, the Council participates in the biennial National Fraud Initiative (NFI), an electronic data-matching exercise coordinated and sanctioned by the Cabinet Office.
- 6.8 Since April 2024, the Council has been closing off the 22/23 matches to prepare for the 24/25. After review, most of these matches were deemed low risk and classified as "no fraud." However, 12 new cases of fraud and error were identified during this final phase of the exercise, as outlined in the table below.

22/23 Matches	Fraud/Error	Amounts
Payroll to Payroll	1	£2,500
Student Loans – HB overpayment created	7	£17,317
CTRS to HB at other Councils – CTRS/HB overpayment created	3	£4,430
Parking Permit to Parking Permit other Councils	1	£625
	<b>12</b>	<b>£24,872</b>

- 6.9 The 24/25 NFI exercise began with data collection in September 2024 and was followed by matches in February and March 2025.
- 6.10 In the short time since the matches were received 104 have been reviewed and closed, 37 cases have been referred for investigation and 12 cases of fraud and error have already been identified.

24/25 Matches	Fraud/Error	Amounts
Student Loans – HB overpayment created	9	£42,717
CTRS to HB at other Councils – CTRS/HB overpayment created	3	£6,082
	<b>12</b>	<b>£48,799</b>

### Corporate Investigations

- 6.11 Corporate investigations cover a wide range of different counter-fraud activities. The work in this area is varied and extends beyond counter-fraud investigations to incorporate activities contributing to the organisation's assurance framework.
- 6.12 Since 1 April 2024, corporate investigation work has included:

Investigation	Investigation summary
Disclosure and Barring Service – assurance work	<p>An anonymous report suggested that a particular department within the Council, which engages with vulnerable adults, may not have performed sufficient Disclosure and Barring Service (DBS) checks on its personnel.</p> <p>DBS checks are essential for employers to make informed hiring decisions, as they verify whether employees are listed on any barred lists concerning adults and children.</p> <p>In response to the allegations, CAFS was asked to investigate and conduct a review of all staff across the named department. This review confirmed that all</p>

Investigation	Investigation summary
	<p>necessary DBS checks had been completed and accurately recorded on internal systems.</p> <p>The investigation revealed that two DBS checks had lapsed; however, it was determined that these lapses were due to the staff members being on sick leave, which prevented management from reviewing their DBS status. Documentation was in place to ensure that these individuals would not resume their duties until new DBS checks were completed.</p> <p>No further action was required.</p>
Adult Social Care – assisting debt recovery	<p>The case was escalated from Adult Social Care due to concerns about Direct Payments being issued to a client's brother despite the client being placed in a 24-hour residential care facility.</p> <p>A personal budget represents the total expenditure for the care and support the local authority arranges or provides for a client. Direct payments enable a client or their representative to procure the necessary care and support services, granting the client autonomy over addressing their needs. In this situation, payments should have been terminated once the client entered residential care. However, an overpayment totalling £6,191.90 was identified, but efforts by colleagues from Adult Social Care to locate the brother or initiate recovery were unsuccessful.</p> <p>An investigation conducted by CAFS successfully identified the brother's residence and initiated discussions to arrange repayment. This process included providing a direct debit mandate form for his signature and establishing a repayment agreement, which has now been implemented, and recovery has commenced.</p>
Dual working – no fraud	<p>An internal investigation was conducted following a National Fraud Initiative (NFI) data match in March 2023, which connected one of our employees to a Transport for London (TFL) position. The data implied that the employee worked 35 hours per week at TFL while simultaneously working 20 hours per week for the London Borough of Hammersmith &amp; Fulham (LBHF). The HR records found no declaration of secondary employment.</p> <p>However, the investigation found no evidence that the employee was manipulating records or providing inaccurate information on his timesheets. Furthermore, upon closer inspection, it was apparent that the two roles did not overlap. Analysing rotas and timesheets alongside TFL's login and building access records confirmed that the employee's LBHF shifts did not conflict with his TFL commitments.</p> <p>A report was submitted to HR, and the employee was warned for not disclosing secondary employment. Management will continue to oversee and monitor their work hours and schedules.</p>
CCTV site review	<p>Following damage incurred at a critical server responsible for a significant amount of CCTV, CAFS was asked to investigate and establish what or who had caused the damage.</p> <p>Investigations found record keeping and site management required attention, while the room containing the server was untidy and contained junk. Air vents in the outside wall were standard, requiring upgrades to prevent dust and debris.</p> <p>While verifying who might have caused the damage was impossible, the review was welcomed, and recommendations ensured that the appropriate improvements to the facilities could be implemented.</p>

## Housing/Tenancy Fraud

- 6.13 Detecting and stopping social housing fraud can help alleviate some of the strain on the Council's housing resources, thereby freeing up homes for those who need them. Therefore, CAFS provides an investigative service for all aspects of housing, including requests for the succession or assignment of tenancies, allegations of subletting or other forms of tenancy breaches, and right-to-buy applications.
- 6.14 Between 1 April 2024 and 31 March 2025, CAFS successfully recovered 27 misused properties. These have now been allocated or made available to those in genuine need of housing support within the community.

Location	P/Code	Size (bedrooms)	Reason for recovery	Outcome	Notional value
Stafford Cripps House	SW6	3	Succession	Court Possession	£29,800
Chesilton Road	SW6	Studio	Subletting	Keys returned	£14,050
Stebbing House	W11	1	Subletting	Keys returned	£14,050
Baron's Court Road	W14	1	Subletting	Keys returned	£14,050
Riverside Gardens	W6	Studio	Abandonment	Keys returned	£14,050
Roseford Court	W12	1	Abandonment	Keys returned	£29,800
Strode Road	SW6	3	Non residency	Keys returned	£14,050
Shepherds Court	W12	2	Non residency	Keys returned	£14,050
Margaret Herbison House	SW6	2	Subletting	Keys returned	£14,050
Rosewood Square	W12	1	Subletting	Keys returned	£14,050
Roseford Court	W12	2	Subletting	Keys returned	£14,050
Lickey House	W14	1	Subletting	Court Possession	£30,800
Malabar Court	W12	1	Subletting	Keys returned	£22,800
Sharnbrook House	W14	1	Subletting	Keys returned	£22,800
Hayter House	W12	3	Subletting	Keys returned	£14,050
Burne Jones House	W14	1	Abandonment	Keys returned	£22,800
Fulham Court	SW6	1	Succession	Court Possession	£13,050
Tynemouth St	SW6	2	Subletting	Keys returned	£14,050
Overstone Road	W6	1	Succession	Court Possession	£14,050
Norland House	W11	Studio	Abandonment	Court Possession	£30,800
Hudson Close	W12	2	False statement	Keys returned	£14,050
Wardo Avenue	SW6	2	False statement	Keys returned	£13,050
Phipps House	W12	2	Subletting	Keys returned	£14,050
Fulham Court	SW6	1	Subletting	Keys returned	£13,050
Batoum Gardens	W6	1	Abandonment	Keys returned	£13,050
Agate Road	W6	1	Subletting	Keys returned	£22,800
Michael Stewart House	SW6	1	False statement	Keys returned	£22,800

## Right to Buy

- 6.15 CAFS supports right-to-buy by reviewing new applications and performing due diligence to ensure tenants meet the criteria. They confirm all individuals involved and verify their residency, sometimes requiring visits.
- 6.16 These checks maintain the scheme's integrity and probity. Since 1 April 2024, this process has cancelled five applications due to identified anomalies or withdrawals during the review process.

#### **iv) RESPOND**

- 7.1 This element of the Strategy is about ensuring that the Council has the capability to respond to fraud. This means ensuring that the resources dedicated to combatting fraud are sufficient and have the right skills and abilities, as well as the Council imposing appropriate sanctions, including criminal and civil proceedings, and recovering losses when fraud is found.

##### **Maintain a specialist investigative resource**

- 7.2 A vital element of a counter-fraud strategy is the ability of an organisation to call upon competent, professionally trained officers to investigate suspected fraud.
- 7.3 All CAFS investigators are members of the Government Counter Fraud Profession (GCFP), which provides a professional structure with common standards and competencies for those in counter-fraud roles.

##### **Proceeds of Crime Act**

- 7.4 Our primary aim must be to prevent fraud and corruption from occurring. However, those who keep on trying may still succeed. Therefore, a robust enforcement response is essential to pursue fraudsters and deter others.
- 7.5 Since April 2024, CAFS has used its Accredited Financial Investigator to recover fraud losses or secure Confiscation Orders in Crown Court, totalling over £380,000. This includes a joint investigation with trading standards that resulted in a confiscation order of over £105,000 for illegal online TV and film streaming and a £100,000 confiscation order at Isleworth Crown Court due to overcharging by a chimney-sweeping business.
- 7.6 For the year 2024/25, a total £59,000 has been recovered and CAFS are exploring the potential for temporary recruitment to enhance resources aimed at tackling tenancy fraud.

#### **CONSULTATION**

- 8.1 The report has been subject to consultation with the Strategic Leadership Team.

#### **EQUALITY IMPLICATIONS**

- 9.1 There are no equality implications arising from this report.

#### **LEGAL IMPLICATIONS**

- 10.1 CAFS's work is governed by various legislation, including the Police and Criminal Evidence Act, the Criminal Procedures Investigation Act, the

Regulation of Investigatory Powers Act, the Fraud Act, the Prevention of Social Housing Fraud Act, the Proceeds of Crime Act, and the Data Protection Act.

10.2 There are no significant legal implications arising from this report.

*Implications verified by Grant Deg, Director of Legal Services, on 28 May 2025.*

## **FINANCIAL AND RESOURCES IMPLICATIONS**

11.1 Resources required to deliver on the Council's Anti-Fraud and Corruption Strategy are funded from the budget allocated to CAFS. There are no additional resource implications arising from this report. Successful investigations and prosecutions can lead to the recovery of Council assets and money required to protect frontline services.

*Implications verified by Sukvinder Kalsi, Director of Finance, on 19 May 2025.*

## **RISK MANAGEMENT**

12.1 The Council's Anti-Fraud and Corruption Strategy and anti-fraud policies help manage the Council's fraud risks by assisting managers in implementing effective controls.

*Implications verified by Moira Mackie, Head of Internal Audit on 19 May 2025.*

## **List of Appendices:**

Appendix 1 – Counter-fraud notable cases.

	<div>Appendix 1</div> <div>Case Description</div>
1.	<p><b>TENANCY FRAUD (Subletting):</b> The rent team escalated a case to CAFS due to concerns regarding the residency of a Council tenant. The individual had been a tenant of a three-bedroom property on Strode Road, SW6, since 2011, following the death of their mother. However, the rent team was now concerned that they were subletting this address.</p> <p>The investigation revealed that the tenant and their partner had a private rental agreement in East London, where they were responsible for council tax and utility payments until 2019. While no additional addresses for the subjects were discovered, financial records indicated transactions occurring in and around East London. Furthermore, these financial records included bank transfers from family members who seemed to reside at the Strode Road address, raising suspicions of possible unlawful rental payments.</p> <p>CAFS investigators visited the Strode Road property multiple times, but the tenant was never located there. Family members consistently answered the door, claiming that the tenant was working shifts and recommended scheduling an appointment to meet them.</p> <p>In June 2024, the tenant was invited for an interview under caution. They attended alone but asked to suspend the interview to seek legal advice after being presented with substantial evidence.</p> <p>A few months later, the interview resumed with the tenant accompanied by legal representation. However, after reviewing the evidence, the solicitor submitted a prepared statement indicating that the tenant had chosen to surrender their tenancy, which was finalised the following month.</p>
2.	<p><b>PROCEEDS OF CRIME ACT</b> - The case involved individuals conspiring to supply illegal online TV and film streaming on a large scale, particularly focusing on Premier League football broadcasts. The revenue generated by these illegal broadcasts had been acquired and concealed, contrary to The Proceeds of Crime Act 2002.</p> <p>The original investigation revealed that unauthorised streaming was being provided through a specific website. Test purchases indicated that subscribers were charged £10 monthly to access all major Sky Sports and BT Sports channels, along with other broadcasts, including Premier League football matches that were unavailable to UK viewers through legitimate UK broadcasters.</p> <p>The investigation confirmed that no payments were made to SKY, BT, or any other rightful content holders for access to their material. A representative from the Premier League provided a witness statement affirming that the website lacked the authority to distribute such streams.</p> <p>Among several defendants, this individual was identified as receiving payments totalling £111,000. Following a POCA hearing, a confiscation order of £105,014.66 was issued at Derby Crown Court in December 2024 and was later fulfilled through two separate payments to HMCTS.</p>

	<div>Appendix 1</div> <div>Case Description</div>
3.	<p><b>TENANCY FRAUD (Abandonment):</b> The Corporate Anti-Fraud Service (CAFS) received a referral from the gas safety team regarding the tenancy at Roseford Court, Shepherds Bush Green, W12. During an inspection, the gas safety team observed that the tenant was not residing at the property. They found rotten food items in the fridge and post addressed to other individuals.</p> <p>CAFS conducted extensive checks, including credit checks, travel checks, fob data analysis, property visits, land registry searches, and open-source investigations. Travel data indicated prolonged absences from the property, and intelligence suggested that the subject was living in Somalia.</p> <p>The subject was invited for an informal interview, during which partial evidence was presented. The subject was given the option to surrender the tenancy and informed that the matter could result in criminal action under the Prevention of Social Housing Fraud Act. They were advised to seek legal advice and given seven days to respond.</p> <p>The tenant contacted CAFS and agreed to surrender the tenancy in exchange for no further action. The subject's brother handed in the vacation notice, keys, and fobs. No further action was taken, and the property has now been relet to someone genuinely needing housing support.</p>
4.	<p><b>TENANCY FRAUD (Non-residency):</b> The tenant was granted tenancy of a three-bedroom property at Shepherds Court, W12 in 1979. However, recent concerns regarding the tenant's location arose after a visit by the housing officer, during which her daughter indicated that the tenant was away.</p> <p>The subsequent investigation by CAFS revealed that the tenant's financial activities were mainly concentrated in the Surbiton and Kingston areas. Additional inquiries indicated that the tenant maintained some financial ties to the rented property.</p> <p>Initial worries were that the tenant, who was over 80 years old, might be living in a care home while her daughter was reportedly subletting the council property.</p> <p>CAFS made several unsuccessful attempts to visit the property until the daughter eventually opened the door. Upon questioning, she acknowledged that her mother had not resided there due to clutter-related safety concerns. Although there was no evidence of subletting, it was confirmed that the daughter lived at the property.</p> <p>CAFS submitted an investigation report to the housing officer, who was preparing to issue a Notice to Quit because the tenant had parted with possession of the property. However, the tenant passed away, leading the daughter to file a succession application. To assist the daughter, she was allocated sheltered housing in a one-bedroom property while the three-bedroom unit was repossessed and has now been let to a family in need of housing assistance.</p>



	<div>Appendix 1</div> <div>Case Description</div>
5.	<p><b>PROCEEDS OF CRIME ACT</b> - The Corporate Anti-Fraud Service (CAFS) was asked to provide a Proceeds of Crime Act (POCA) service for a Westminster City Council planning case. A property in Harrow Road, London, W10 was converted into seven flats however, no planning permission was ever granted for the conversion of the property, and an enforcement notice was not complied with.</p> <p>A company incorporated in the British Virgin Islands were the freeholders, but investigations identified the Director operating in the UK. He was charged with failing to comply with an enforcement notice contrary to section 179(5) and section 331(1) of the Town and Country Planning Act 1903. He appeared at Southwark Crown Court for trial in 2023 and entered guilty pleas on behalf of himself and on behalf of the company.</p> <p>CAFS Financial Investigator conducted a comprehensive financial investigation on behalf of Westminster City Council, into the assets and criminal benefit of the defendant. In September 2024, at Southwark Crown Court, a Confiscation Order for the sum of £415,000 was imposed on the defendant.</p> <p>Once the Order is fulfilled LBHF hope to receive 18% of the proceeds for the investigation work undertaken by our Financial Investigator.</p>
6.	<p><b>TENANCY FRAUD (Abandonment):</b> Housing raised concerns with CAFS regarding possible sub-letting at Lickey House, W14, after a report from Gas Safety Officers. The report indicated that three males were claiming to have keys and personal belongings in the property, asserting that the female tenant was "stuck in Ethiopia."</p> <p>Further investigations confirmed that the flat was occupied by these three males, with findings including male clothing, shoes, and Deliveroo bags. The tenant had departed the UK for Ethiopia in 2019 and had not returned since. Additional evidence from utility companies and bank statements confirmed that the tenant had not been living at the property.</p> <p>Repossession proceedings were initiated, leading to a County Court Trial, which the tenant did not attend or defend, resulting in the Council being granted outright possession.</p>
7.	<p><b>DISABLED BLUE BADGE (Misuse):</b> A staff member was reported by a resident for improperly using a Disabled Blue Badge at Bagley's Depot. CAFS escalated the report to the Blue Badge Fraud Investigations (BBFI) who promptly located the vehicle displaying the Badge on Kilkie Street, where a tabard with H&amp;F branding was visible in the back seat.</p> <p>The Blue Badge holder was identified, which opened a line of inquiry regarding the potential identity of the driver. The suspected driver's shift hours were obtained, and BBFI initiated an operation to intercept him as he returned to the vehicle.</p> <p>On the day of the operation, a BBFI officer approached a man at the vehicle who confirmed his identity as a LBHF employee. He acknowledged that the badge belonged to his mother and admitted to using it for parking his vehicle. He was cautioned, and the officer confiscated the badge. A report was submitted to Human Resources, and disciplinary procedures were enacted, resulting in the driver's dismissal.</p>

	<div>Appendix 1</div> <div>Case Description</div>
8.	<p><b>TENANCY FRAUD (Abandonment):</b> CAFS received a notification from the gas safety team indicating that, during a forced entry into a residence at Hayter House on the White City Estate, officers suspected that the property was being sublet.</p> <p>Investigations conducted by CAFS uncovered a minimal financial presence for the tenant at the registered address, revealing only one bank account and a single utility bill in their name. The bank account showed very few transactions.</p> <p>Throughout the investigation, CAFS made several visits to the property, but there was no response from the tenant. Eventually, the investigator left a hand-delivered letter requesting contact, but the tenant did not reply. Travel checks indicated no record of the tenant traveling in or out of the UK for the last five years. However, open-source intelligence suggested that the tenant was living in the USA. It was therefore reasonably concluded that the tenant had departed the UK over five years ago, which could account for the absence of travel data during that time.</p> <p>Based on the evidence provided by CAFS, the housing team issued notices for possession of the property. The tenant appeared to have received these notices, as they completed a vacation notice form and returned the keys to the three-bedroom property.</p>
9.	<p><b>PREVENTION (Assignment):</b> Housing raised concerns with CAFS regarding an assignment application submitted by the tenant of a three-bedroom property located on Peterborough Road, SW6. The tenant intended to transfer her tenancy to her son.</p> <p>A review of the tenancy records indicated that a prior investigation conducted in 2012 found the tenant residing in Kent, while her son and his family occupied the property on Peterborough Road. The latest investigations soon revealed that the tenant had no active finances associated with the tenancy address, but there were numerous accounts and credit inquiries linked to Kent. Further corroborative evidence from Swale Council, the Passport Office, and the Swale Island and Rural Children Social Work Team confirmed that the tenant had been living in their jurisdiction for several years.</p> <p>Based on the evidence collected, it was determined that the tenant had not been residing at the tenancy address and had likely been sub-letting the property. As a result, the assignment application was denied, and repossession proceedings were initiated.</p>

	<div>Appendix 1</div> <div>Case Description</div>
10.	<p><b>DIRECT PAYMENTS:</b> CAFS received a request for investigative assistance from a Social Worker who was concerned about the proper management of a client's affairs. A review of the client's payments and expenditures revealed significant inconsistencies.</p> <p>Initially, the investigation found that funds allocated for care were not being used for care, resulting in an overpayment exceeding £12,000. However, during a home visit by CAFS investigators, it became evident that the family was struggling to care for the autistic adult client, who often spent their personal care payments on non-essential items and occasionally went missing, prompting the family to file police reports.</p> <p>CAFS subsequently prepared a report recommending the cessation of direct payments, an updated care assessment, and the transition of the client to commissioned care, with the Council taking responsibility for the identified needs in the care package. This change was implemented in September 2024, and the client was also placed in respite care to provide additional support to the family.</p>
11.	<p><b>TENANCY FRAUD (Subletting):</b> An investigation was initiated after the CAFS received an online Fraud Report. The report claimed that the tenants of a property located in Roseford Court, W12, were subletting their social tenancy while living in a property they owned in Enfield.</p> <p>The investigation uncovered ownership of a property in Waltham Abbey through land registry records, prompting an invitation for the tenant to participate in an interview regarding their tenancy. During this interview, the tenant denied any subletting activities, asserting that they were separated, with the wife residing at the tenanted property and the husband living in Waltham Abbey.</p> <p>Nevertheless, the evidence suggested that both individuals may have vacated the tenanted property, as visits to the address indicated that it was no longer occupied by the tenants.</p> <p>The tenants were requested to attend a follow-up interview but opted to relinquish their two-bedroom tenancy before any further actions could be taken.</p>

	<div>Appendix 1</div> <div>Case Description</div>
12.	<p><b>CRIMINAL PROSECUTION:</b> In 2019, maintenance workers at Lannoy Point, SW6, raised concerns about a tenant's residency. Investigations revealed all communications were routed through international phone numbers or the tenant's relatives.</p> <p>When Lannoy Point was set for demolition, a man claiming to live in the tenant's flat attended a resident engagement meeting. He presented a tenancy agreement, stating his landlord lived overseas. This led investigators to a letting agency in Fulham Broadway, where it was discovered the tenant's brother-in-law had rented out the address.</p> <p>The tenant, interviewed under caution, denied knowledge of sub-letting and blamed his brother-in-law. He couldn't specify his absences from the property and ended the interview when confronted with evidence of his three-year absence from the UK.</p> <p>Collaboration with Belgian police revealed the tenant's travel dates. Evidence showed he spent only 34 days in the UK between 2014 and 2019. Criminal proceedings were initiated, and the case was presented at Isleworth Crown Court in April 2024.</p> <p>During the trial, the tenant claimed innocence, stating he gave the keys to his sister and was unaware of sub-letting. However, evidence showed his sister deposited money into his bank account, enabling him to pay rent and council tax. Travel records indicated he stayed in hotels during his visits, contradicting his claim of being on a spiritual retreat.</p> <p>The jury found him guilty of fraud by false representation and failing to disclose information. Sentencing in July 2024 resulted in a two-year suspended prison sentence, 200 hours of community service, a curfew monitored by an electronic tag, and a requirement to pay LBHF £18,000.</p>

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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