

London Borough of Hammersmith & Fulham

Hammersmith Town Hall, King Street, London, W6 9JU



Grant Thornton UK LLP
110 Bishopsgate
LONDON
EC2N 4AY

23 July 2019

Dear Sirs

**London Borough of Hammersmith and Fulham Council and the Pension Fund
Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of London Borough of Hammersmith and Fulham Council and the Pension Fund for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council and the Pension Fund's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the Council and the Pension Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- i. We have fulfilled our responsibilities for the preparation of the Council and the Pension Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the Council and Pension Fund's financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and Pension Fund and these matters have been appropriately reflected and disclosed in the Council and Pension Fund's financial statements.

- iii. The Council and Pension Fund has complied with all aspects of contractual agreements that could have a material effect on the Council and Pension Fund's financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the Council and Pension Fund's financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. In particular, we confirm that management assumptions relating to:
 - a. the calculation of the business rates appeals provision;
 - b. the valuation of property, plant and equipment; and
 - c. the classification and valuation of investment properties;are considered to be reasonable.
- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council and the Pension Fund has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the Council and Pension Fund's financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council and Pension Fund's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the Council and Pension Fund's financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and Pension Fund and its financial position at the year-end. Unadjusted items are set out in appendix one to this letter.
The Council and Pension Fund's financial statements are free of material misstatements, including omissions.

- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the Council and Pension Fund's financial statements.
- xiv. We believe that the Council and Pension Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council and Pension Fund's needs. We believe that no further disclosures relating to the Council and Pension Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council and Pension Fund's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council and Pension Fund from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware which could have a material effect on the Council or Pension Fund's financial statements.
- xvii. All transactions have been recorded in the accounting records and are reflected in the Council and Pension Fund's financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that Council and Pension Fund's financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the and Pension Fund and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the Council and Pension Fund's financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council and Pension Fund's financial statements communicated by employees, former employees, analysts, regulators or others where the fraud could have a material effect on the Council or Pension Fund's financial statements.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxii. We have disclosed to you the identity of the Council and Pension Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the Council and Pension Fund's financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council and Pension Fund's financial and operating performance over the period covered by the Council and Pension Fund's financial statements.

Approval

The approval of this letter of representation was minuted by the Council and Pension Fund's Audit, Pensions and Standards Committee at its meeting on 23 July 2019

Yours faithfully

Councillor Iain Cassidy
Chair of the Audit, Pensions and Standards Committee
Date:

Hitesh Jolapara
Strategic Director, Finance and Governance
Date:

Signed on behalf of the Audit, Pensions and Standards Committee

Appendix 1 – Schedule of Unadjusted Items

Item	Relates to	Reason for not adjusting
<p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented. Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities for the overall Pension Fund of £9,543k (0.6% of pension liabilities), for the 2019/20 year. The Council estimated share of this would be £6,642k (0.5% of pension liabilities).</p>	<p>Council/ Pension Fund</p>	<p>The figures provided by the actuary are an estimate, and not a formal actuarial valuation. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.</p>
<p>Investment Fund Month 11 Balances used - Audit work performed on investment balances noted that the custodian reported the valuation as at Month 11 for one of the investments, Partners Infrastructures. The Month 12 balances were subsequently £1.1m higher (which would be 0.1% of total Investments) than the balances disclosed in the financial statements.</p>	<p>Pension Fund</p>	<p>The adjustment is not material and management have decided not to adjust the financial statements.</p>