

London Borough of Hammersmith & Fulham
Hammersmith Town Hall, King Street, London, W6 9JU



Grant Thornton UK LLP
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London
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[Draft - Date Pending Audit Opinion]

Dear Sirs

London Borough of Hammersmith and Fulham
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Hammersmith and Fulham for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council 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 2020/21 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

- i. We have fulfilled our responsibilities for the preparation of the Council'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 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the 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 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. Such accounting estimates include the valuation of land and buildings, including Council Dwellings and Investment Properties, the assumptions used in the valuation of the net defined benefit liability,

the valuation and completeness of provisions, and expected credit loss allowances in respect of short- and long-term debtors. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. 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.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 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 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'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 financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The 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 financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and

have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council'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'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. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. 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.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the 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 Council 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 financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- 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'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 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's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 15 March 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Appendix: Unadjusted misstatements

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below. This table will be updated in the final version of this report and findings agreed with the Audit Committee as those charged with governance in advance of issuing our audit opinion on the financial statements.

| Detail | CIES £'000 | Balance Sheet £'000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|---|---------------|------------------------|--|---|
| Incomplete data submitted to Pension Fund actuary During our audit of the Pension Fund, we identified that the Fund did not include all net current assets in its submission of data to the actuary, as a result of timing differences. The Council's share of this amounted to £2.6m, which represents an overstatement of the liability. | (2,599) | 2,599 | (2,599) | Management do not consider the omission to be material. In addition, to make an amendment, the liability would need to be re-estimated by the Pension Fund's actuary. |
| Errors identified in post year-end expenditure invoice sample testing In our sample testing of purchase invoices received after year-end to gain assurance over the completeness of expenditure and associated creditors recorded in the financial statements, we identified four items which related to 2020/21 but had not been accrued for in-year. The factual value of these errors was £106,390. The projected error across the population of invoices which was subject to sample testing, assuming a consistent error rate, is shown in the table. This represents an understatement of the liability on the balance sheet, with a corresponding understatement of expenditure in the CIES and capital expenditure in the balance sheet. | 964 | (1,094) | (Short-term creditors) 130 (PPE) | 964 The adjustments shown in the table represent extrapolated errors rather than factual misstatements. Management do not consider these errors or their potential projected impact to be material. |
| Understatement of Covid-19 Sales, Fees and Charges support grant income We identified in our testing of Taxation and Non-Specific Grant Income recognised in the CIES that in respect of the Covid-19 Sales, Fees and Charges support grant income, £1.1m additional income was eventually received by the Council than the amount which had been recorded in the financial statements. This led to an understatement of Taxation and Non-Specific Grant Income in the CIES and a corresponding understatement of short-term debtors in the balance sheet. | (1,098) | 1,098 | (1,098) | Management do not consider this understatement to be material. |

Impact of unadjusted misstatements (continued)

| Detail | CIES £'000 | Balance Sheet £'000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|---------------|------------------------|--|---|
| Errors identified in other services expenditure sample testing In our sample testing of transactions comprising 'other services expenditure', we identified eight errors which had led to a number of under and overstatements in recorded expenditure in the CIES and corresponding creditors recorded in the balance sheet. The table shows the potential projected impact of these errors assuming a consistent error rate across the population which was subject to sample testing. This represents a projected understatement of expenditure in the CIES and corresponding understatement of short-term creditors in the balance sheet. | 1,487 | (1,487) | 1,487 | The adjustments shown in the table represent extrapolated errors rather than factual misstatements. Management do not consider these errors or their potential projected impact to be material. |
| Schools bank reconciliations including transactions from 2021/22 accounting period We identified in our testing of a sample of schools' year-end bank reconciliations that a number of transactions through the bank account in April 2021 had been erroneously recorded in 2020/21. These should have been recorded as creditors or debtors as appropriate, given that cash had not been exchanged at the year-end date. The table shows the potential projected impact of these errors assuming a consistent error rate across the population which was subject to sample testing. This represents an overstatement of recorded cash balances and a corresponding understatement of recorded short-term debtors in the balance sheet. | 0 | 1,427 (1,427) | 0 | The adjustments shown in the table represent extrapolated errors rather than factual misstatements. Management do not consider these errors or their potential projected impact to be material. |
| Classification of Grant Income We identified through testing of grant income that the Covid 19 Clinically Extremely Vulnerable grant had been credited to 'Taxation and non-specific grant income' in the CIES, whereas this is a ringfenced grant to support vulnerable individuals therefore should have been credited to services. This represents an overstatement of taxation and non-specific grant income and an understatement of gross income in the net cost of services. | 574 (574) | 0 | 574 (574) | Management do not consider this adjustment to be material. |

Impact of unadjusted misstatements (continued)

| Detail | CIES £'000 | Balance Sheet £'000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|---|------------------|------------------------|--|---|
| Error identified in fees and charges income sample testing In our sample testing of fees and charges income, we identified one transaction of £8k whereby an entry had been erroneously posted to income rather than expenditure. This was corrected, however the correction had been posted twice, leading to an overstatement of income in the cost of services (Resources directorate) and a corresponding overstatement of expenditure recorded within the same directorate. The table shows the potential projected error assuming a consistent error rate across the fees and charges income within the Resources directorate. | 2,583 (2,583) | 0 | 2,583 (2,583) | The adjustments shown in the table represent extrapolated errors rather than factual misstatements. Management do not consider these errors or their potential projected impact to be material. |
| Overall impact | (1,246) | 1,246 | (1,246) | |

Unadjusted disclosure errors:

| Disclosure amendment | Adjustment agreed? |
|---|--------------------|
| Restatements of prior period comparative figures In initial review of the financial statements, we identified a number of areas where management had included footnotes stating that 2019/20 comparative figures had been restated. This included the Movement in Reserves Statement, Note 16 - Debtors and Note 31 - Related Parties. None of the 'restatements' made were individually above our trivial reporting threshold. We would only expect restatements of prior period audited information to correct material errors which were subsequently identified, in accordance with IAS 8. As none of these restatements were material, we therefore requested that management revert the prior period comparatives to the audited 2019/20 figures, however management elected not to make these amendments in the final draft of the financial statements. | x |
| Movement in Reserves Statement The Code of Practice on Local Authority Accounting requires total in-year movements to be shown for the statutory General Fund, including earmarked and schools reserves, and Housing Revenue Account (HRA), including HRA earmarked reserves. Management have elected not to present total columns after the General Fund reserves and HRA reserves, instead presenting totals at each reporting date for the statutory General Fund and statutory HRA in a footnote to the Movement in Reserves Statement, but not showing the in-year movements. Management have elected not to rearrange their presentation of the note, on the basis that sufficient explanation is given in the footnotes around the component parts of the General Fund and HRA to permit the users of the financial statements to derive the total in-year movements. | x |

Note 21 – Financial Instruments – refinancing and maturity risk disclosures

x

We identified in audit of the disclosure note that two loans which the Council had made to third parties, with a total value of £1,080k, had been erroneously classified as debtors. In addition, these loans had been erroneously omitted from the maturity analysis disclosure. Management have elected not to amend for this error in the final financial statements on the basis that it is not material to the users of the financial statements.

Note 25 – Officers’ Remuneration – Exit Packages

x

Testing of exit packages recorded in the disclosure note identified that one exit package, with a total value of £109k, had been recorded in the incorrect accounting period, as the individual eventually left the Council in June 2021. Management have elected not to amend the financial statements to correct this error as they do not consider it to be material to the financial statements.

Note 30 – Grant Income – non-current grants and contributions received in advance

x

In testing of ‘Developer contributions’ in Note 30, forming part of non-current grants and contributions received in advance on the balance sheet, we identified two sample items which had been misclassified as ‘Developer contributions’ where these should have been classified as ‘Other capital grants’. The projected impact of this classification error is £654k. Management have elected not to correct for this error in the final draft of the 2020/21 financial statements as they do not consider it to be material to the financial statements. There is no impact on the balance sheet as both classifications fall within the same line item.
