

London Borough of Hammersmith and Fulham - Audit Progress Report

Year ending 31 March 2022

March 2023



Contents

Section	Page	
Introduction	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
Progress at March 2023	4	
Audit deliverables	8	

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction

Your key Grant Thornton team members are:

Paul Dossett

Key Audit Partner

T 020 7728 3180

E Paul.Dossett@uk.gt.com

Andy Conlan

Engagement Senior Manager

T 020 7728 3073

E Andy.N.Conlan@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2023

Financial Statements audit – Council

We undertook our initial planning for the 2021-22 audit in October 2022, and in November we issued a detailed audit plan which covered both the Council and the Pension Fund, setting out our proposed approach to the audit of the Authority's 2021-22 financial statements. This allowed us to quickly progress into the fieldwork for the Council and Pension Fund 2021-22 financial statements following the delays in completion of the 2020-21 audit fieldwork.

Fieldwork, including sampling and testing, began in November 2022 and in general substantial progress was made across the audit. We have summarised progress on the sample testing areas. There have been some areas of sampling where return of samples has been delayed (acknowledging that December is a time when members of both the finance team and audit team have taken annual leave which as expected does introduce a delay into the audit process as teams pause work).

Overall progress on the sample testing can be summarised as follows:

- 75% of samples issued have been processed and either cleared or have a query raised with the finance team;
- 15.5% of samples are received but being processed by the audit team; and
- 9.5% of samples requested are outstanding with the Council Finance Team.

There have been some delays in receiving certain items which have delayed progress as follows:

- Full General Ledger transaction listings for the Council and Pension Fund that we require in order to carry out our Journals testing addressing the significant risk of management override of controls. This was requested by the audit team in the initial request list in November but not completed until February meaning samples for journals have only been selected recently and this testing is ongoing. We note that this item was to some extent outside of the control of the Council finance team where the request required input from the Council's service provider;

- There have been delays in the provision of listings/information relating to the Council's Collection Fund sub-system which have prevented the testing in these areas from progressing to timetable. This has impacted the areas of testing for Collection Fund reliefs, debtors and creditors. It is acknowledged that Council officers in these areas have been extremely busy delivering cost of living support (including energy rebate schemes and household support grants), ongoing administration of covid business grants and supporting the 2023/24 budgeting process and annual billing. As a result, officers have not always been in a position to respond promptly to our requests and for those areas cited testing remains ongoing.

We note that due to the extended length of audit fieldwork, we have needed to utilise some audit team members to support other audits being completed by our firm in the latter half of February which has also caused some delay specifically in clearing audit samples and in completing the Land and Building Valuation audit work.

Work outstanding with the audit team:

- Much of our audit testing relies on substantive sample testing, see pages 5 and 6 for the current progress against samples selected.
- Asset valuation – we have engaged an auditor's expert to review the valuation reports that have been provided by the managements' valuers. We are currently assessing the outputs from this exercise and this could lead to further challenge of the Council's valuation expert.
- Senior management review of completed audit sections which could lead to further queries/challenge being raised.

Pension Fund audit:

We have made good progress on the significant risk area of this audit. There remains some sample testing outstanding, but we expect this to be completed by the end of March.

Indicative timetable to completion

We are collaborating closely with your finance team, including weekly catch up calls, in order to resolve the outstanding work above. We would expect to complete this by the end of March with senior management file review thereafter. We therefore expect to report our full Audit Findings Report to the June Committee meeting and sign the auditor's report alongside that meeting.

Progress at March 2023 (cont.)

Sample Area	Sample size	Sample evidence not yet received	Samples evidence received – being processed by audit team	Sample cleared or queried with finance team
Journal Entries (Note 1 see below table)	27	0	27	0
Property, Plant and Equipment Opening Balances	50	0	6	44
Additions & REFCUS	26	0	2	24
Extended Addition Samples	10	0	10	0
Disposals	1	0	0	1
OLB Revals	13	0	13	0
Property, Plant and Equipment – Assets under construction	7	0	0	7
Property, Plant and Equipment – Assets held for sale	1	0	0	1
Property, Plant and Equipment - Surplus Assets	5	0	5	0
Investment Properties	24	0	12	12
Debtors	18	0	0	18
Cash & Cash Equivalents	27	0	0	27
Residual Creditors	21	0	0	21
Leases	10	0	0	10
Fees and Charges income	54	0	3	51
Grant Income	24	0	0	24
Collection fund income – Business Rate reliefs (Note 2 see below table)	35	35	0	0
Completeness (income/debtors)	27	0	0	27
Employee benefit expenditure (Starters and Leavers)	24	0	0	23
Employee benefit expenditure - Council Testing	10	0	0	10
Employee benefit expenditure - Schools Testing	11	0	0	11

Progress at March 2023 (cont.)

Sample Area	Sample size	Sample evidence not yet received	Samples evidence received – being processed by audit team	Sample cleared or queried with finance team
Housing benefit expenditure	5	0	0	5
Other expenditure	91	0	10	81
Completeness (expenditure/creditors)	47	0	5	42
Capital disclosures	12	0	0	12
Exit Packages	5	0	0	5
Collection fund debtors – Business Rates (Note 2 see below table)	8	8	0	0
Collection fund creditors – Council Tax (Note 2 see below table)	12	12	0	0
Totals	605	56	93	456

Note 1 – As reported on page 4, the journals sample could only be picked late in the planned audit period when staff time was coming to an end. We have further audit team time arranged now to complete this testing.

Note 2 – As reported on page 4, collection fund samples also could only be picked late in the planned audit period when staff time was coming to an end. Testing of these samples requires a meeting between the auditor and council officers in that area to walkthrough each item while sharing screens. We are agreeing times to complete this testing around the availability of audit staff and council officers.

Progress at March 2023 (cont.)

2020-21 Financial Statement Audits

In November we reported our Audit Findings Report for the audit of the 2020-21 financial statements audit. We reported that work was substantially completed subject to a small number of outstanding areas of work, the main one being resolution of the national issue around infrastructure assets.

CIPFA have in December 2022 issued a statutory override for the issue which has amended the financial reporting and disclosures around infrastructure assets. The audit team and finance team discussed the override to agree an understanding of the accounts changes to be made, and the Council have promptly updated the financial statements in line with the guidance. We have reviewed the updated statements and we are satisfied that they have been updated appropriately and this audit issue is closed.

The audit file was picked randomly for a closing quality review by our firm Quality Support Team (a process put in place to ensure ongoing improvements to audit quality in line with FRC and regulatory requirements. This raised some additional audit queries as well as identifying a disclosure amendment required in the pension liability IAS19 note. We are now closing these points and expect to sign the statements by mid-March.

Audit deliverables

2021-22 Deliverables	Planned date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council and Pension Fund 2021-22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.	November 2022	Completed
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	June 2023	Not yet due
Auditors Report This includes the opinion on your financial statements.	June 2023	Not yet due
Audit Findings Report – Pension Fund The Audit Findings Report will be reported to the Audit Committee.	June 2023	Not yet due
Auditors Report – Pension Fund This includes the opinion on your financial statements.	June 2023	Not yet due
Auditor's Annual Report – Value for Money This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	TBC	TBC

