The Audit Findings for the London Borough of Hammersmith and Fulham and Hammersmith and Fulham Pension Fund

Year ended 31 March 2021

Updated May 2023

Contents

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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 Council 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of the London Borough of Hammersmith and Fulham ('the Council') and Hammersmith and Fulham Pension Fund ('the Pension Fund') and the preparation of the Council and Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council and Pension Fund's financial statements give a true and fair view of the financial position of the Council and Pension Fund's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit has been completed remotely, having commenced with planning and risk assessment in October 2021. Our findings are summarised on pages 5 to 23. Any further findings from residual audit procedures will be reported to the Audit Committee in an updated version of this report prior to the date of approval of the financial statements where required. We have identified two adjustment to the Council's financial statements that have resulted in £3.8m and £8.5m adjustments to the Council's Comprehensive Income and Expenditure Statement. As the £8.5m adjustment relates solely to classification within property valuations, there is no impact on the Council's General Fund as a result of the statutory accounting requirements of the local authority accounting framework. A number of other errors were also identified during the course of our audit for which management have not adjusted the financial statements on the grounds that these are not material. 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 net defined benefit liability. The Council's management do not plan to adjust the financial statements for this error as it is not considered to be material. To date we have identified no adjustments to the Pension Fund's financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. In our previous report on the findings of this audit, we highlighted that there were a number of areas of debtors and creditors testing areas still to be completed. Our audit team along with your finance team have continued to work closely together to complete this work. This is an area which has delayed the completion of the audit as some of the populations/listings were not cleansed and reconciled, and there were older/legacy system debtors and creditors which were also difficult for the authority to provide supporting evidence that was sufficient for our audit. We have now completed this work subject to review by the senior manager and partner, and looking ahead to the 2021/22 audit we are discussing with your finance team how working papers and populations in these audit areas can be improved. At the time of writing, our audit is substantially complete. We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of the organisation and the financial statements we have audited. Our anticipated audit report opinion for the Council will be unmodified. Our anticipated audit report opinion for the Pension Fund will be unmodified, including an emphasis of matter paragraph drawing attention to disclosures relating to the qualification of the financial statements of one of the Fund's infrastructure investment managers as at 31 December 2020, and its potential impact on the Fund's investment in the associated infrastructure fund.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

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

Our Value for Money procedures are now complete and our Auditor's Annual Report was finalised and reported to the 13 September 2022 Audit Committee meeting. Our work did not identify any significant weaknesses in arrangements, but 12 improvement recommendations were made as part of this work.

Statutory duties

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

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

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

We have completed the majority of work under the Code and expect to certify the completion of the audit upon the completion of our work on:

- the Council's Whole of Government Accounts data collection tool, under group instructions from the National Audit Office (NAO), which at the time of writing have yet to be published;
- the Council's VFM arrangements, which will be reported in our Auditor's Annual Report within three months of the opinion on the financial statements.

Significant Matters

During the audit, working arrangements with the Council and Pension Fund's finance teams have been collaborative and efficient. However, delays have been experienced in obtaining information from teams within the Council outside of finance, and third party providers. For example:

- Obtaining HR and payroll data from schools
- Obtaining lease agreements from the Council's estates team
- Obtaining access to the pensions administration system hosted by Surrey County Council

We also had significant difficulties in obtaining suitable analyses and populations of debtors and creditors in order to complete our required audit testing. This has resulted in the work in this area taking significant additional audit team resource to complete.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council and Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Council and Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not altered our audit plan, as communicated to the Audit Committee on 25 October 2021.

Conclusion

Our audit of the Council and Pension Fund's financial statements is substantially complete. Subject to outstanding items on page 3 being resolved, we anticipate issuing unqualified audit opinions in late March 2022, following finalisation of the financial statements and approval by the Audit Committee.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other staff during the audit process.

2. Financial Statements

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.

Materiality levels remain the same as reported in our audit plan on 25 October 2021.

We detail in the table our determination of materiality for the Council and Pension Fund.

	Council Amount (£)	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	9,300,000	11,500,000	
Performance materiality	6,975,000	8,625,000	
Trivial matters	465,000	575,000	
Materiality for senior officers' remuneration and key management personnel disclosures	100,000	100,000	High level of stakeholder interest in these disclosures

2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

<table>
<tr><th>Risks identified in our Audit Plan</th><th>Risk relates to</th><th>Commentary</th></tr>
<tr><td colspan="3">Fraud in revenue recognition
Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.
This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.
As reported in our Audit Plan, having considered the risk factors set out in ISA240 and the nature of the Council and Pension Fund revenue streams, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:
• There is little incentive to manipulate revenue recognition.
• Opportunities to manipulate revenue recognition are very limited.
• The culture and ethical frameworks of local authorities, including the London Borough of Hammersmith and Fulham, mean that all forms of fraud are seen as unacceptable.
Therefore, at the planning stage we did not consider this to be a significant risk at for the London Borough of Hammersmith and Fulham or Hammersmith and Fulham Pension Fund. No circumstances have subsequently arisen during the course of the audit process which would lead us to amend our initial assessment as reported in the Audit Plan.</td></tr>
<tr><td>Management override of controls
Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.
We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</td><td>Council and Pension Fund</td><td>We have:
• Evaluated the design effectiveness of management controls over journal entries;
• Analysed the journal entry listing and determine the criteria for selecting high risk unusual journals;
• Tested unusual journal entries recorded during the year and after the draft accounts stage for appropriateness and corroboration;
• Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and
• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
We identified during our testing of journal entries that there is no two-stage authorisation process for journal entry postings in place. We have not identified from our testing of journal entries any material misstatements or instances of management override of controls. However, we do not test every journal and there may be undetected fraud or error. We have raised a control recommendation for improvement in the Action Plan at Appendix A. This is a matter the Committee needs to understand fully from a risk perspective.
Our audit procedures in this area are now complete. No further issues were identified during the course of our audit procedures which we would be required to report to the Audit Committee as those charged with governance.</td></tr>
</table>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Fraud in expenditure recognition Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit. We assessed the significant expenditure streams of the Council and Pension Fund, and the risk of material misstatement arising from inappropriate expenditure recognition has a low likelihood of occurrence for the majority of expenditure streams and is unlikely to be of a size which would be material to the users of the financial statements. One exception was identified in relation to expenditure incurred by the Council relating to the Covid-19 pandemic, which was included on returns made to DLUHC which formed the basis of grant income support receivable by the Council. We therefore considered that there was a significant risk around expenditure of this nature, which was one of the most significant assessed risks of material misstatement. At the planning stage, we rebutted the risk of fraud in expenditure recognition for all other expenditure streams across the Council and Pension Fund. No circumstances have subsequently arisen during the course of the audit process which would lead us to amend our initial assessment as reported in the Audit Plan.	Council and Pension Fund	We have: • Evaluated the design effectiveness of management controls over Covid-19 expenditure recognition; • Tested the occurrence and classification of expenditure recorded in the Covid-19 expenditure returns to DLUCH ; • Obtained and tested a listing of non-pay payments made and invoices processed in April and May 2021 to ensure that they had been charged to the appropriate year. Within our sample testing of capital expenditure, we selected a number of items relating to the capitalisation of employee salaries. The basis on which these had been calculated was on an annual basis, rather than a review of actual time spent on a capital project on an ongoing basis. We are satisfied from audit procedures undertaken that this issue has not led to a material misstatement within the 2020/21 financial statements. However, there is a risk that, where this process occurs only annually, inaccurate time is recorded leading to inaccurate charges to capital and the general fund. A control recommendation has been made in this regard at Appendix A to this report. Our audit procedures in this area are now complete. No further issues were identified which are required to be reported to the Audit Committee as those charged with governance.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of land and buildings The Council revalues its Land and Buildings, Council Dwellings, Surplus Assets and Investment Property on an annual basis to ensure that the carrying value is not materially different from the current value (for Land and Buildings and Council Dwellings) or fair value (for Surplus Assets and Investment Properties) 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 (£1.8 billion) and the sensitivity of this estimate to changes in key assumptions. Management engaged the services of a valuer to estimate the current value as at 31 March 2021. We therefore identified valuation of Land and Buildings, Council Dwellings, Surplus Assets and Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met; • Engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpinned the valuation; • Used our valuer to evaluate the appropriateness of obsolescence factors and rental yields, for the £82.6m investment properties held in the balance sheet, used in asset valuation calculations where applicable; • Tested revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements; • Assessed the value of a sample of assets in relation to market rates for comparable properties; and • Tested a sample of beacon properties in respect of Council Dwellings to consider whether their valuation assumptions were appropriate and whether they were truly representative of the other properties within that beacon group. In reviewing revaluation movements recorded in the fixed asset register, we identified that management had double-counted one of the revalued assets in the financial statements. The financial statements will be adjusted to correct this error, which will lead to a decrease of £3.8m in Property Plant and Equipment recognised in the Balance Sheet, and a corresponding increase of £3.8m in Other Operating Expenditure recorded in the CIES. Refer to Appendix C for further detail, where this has been reported as an adjusted misstatement. In addition, in review of the fixed asset register, a formula error was identified which meant that the split of the revaluation movements in respect of Other Land and Buildings and Surplus Assets, between the Revaluation Reserve and the Surplus or Deficit on Provision of Services, as stated in the draft set of financial statements, was incorrect. The impact on the Comprehensive Income and Expenditure Statement was a reclassification of £8.5m between the Cost of Services (COS) and Other Comprehensive Income (OCI). The impact on the Balance Sheet was a corresponding reclassification between the Revaluation Reserve and the Capital Adjustment Account, both of which are within the Balance Sheet line for 'Unusable Reserves'. There was no impact on the Council's useable reserves position, as a result of the statutory accounting entries required for capital transactions. Refer to Appendix C for further detail, where this has been reported as an adjusted misstatement. We carried out valuation reasonableness checks against assets not revalued in land and buildings and against council dwellings, by applying alternative valuation indices to challenge the management expert valuations. This indicated a valuation variance between management's experts valuation and the alternative indices totalling £3.2m against a total valuation of £1,744m. The variance was well below our performance materiality and therefore gave us further assurance that the valuation is materially correct. Our audit procedures in this area are now complete. There are no further issues which have been identified from our audit procedures which would require reporting to the Audit Committee as those charged with governance in respect of this risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of the pension fund net liability The Council's pension fund net liability, as reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£657m in the Council's Balance Sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately £144m effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	Council	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • Assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases; • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertaken 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. 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. Further detail is included in Appendix C, where this issue has been reported as an unadjusted misstatement. Our audit procedures in this area are now complete. No further issues were identified during the course of our audit which would require reporting to the Audit Committee as those charged with governance.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of level 3 investments The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature, level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£72 million) and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2021.	Pension Fund	We have: • Evaluated management's processes for valuing Level 3 investments; • Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code were met; • Independently requested year-end confirmations from investment managers and the custodian; • For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2021 with reference to known movements in the intervening period; • In the absence of available audited accounts, evaluated the competence, capabilities and objectivity of the valuation expert; and • Where available, reviewed investment manager service auditor reports on design and operating effectiveness of internal controls. As in the previous year, an infrastructure Investment Fund (Level 3 investment) in which the Pension Fund held a material investment as at 31 March 2021, received a qualified audit opinion on their financial statements as at 31 December 2020. The Investment Fund's auditors qualified their audit opinion because they concluded they were unable to obtain sufficient appropriate audit evidence regarding claims made against a Limited Partnership 100% owned by the Investment Fund. Management's evaluation was that this issue did not lead to a material misstatement of the financial statements or result in an erroneous valuation of the Pension Fund's investment in the infrastructure fund. However disclosure of management's judgement in this regard was included in Note 4 to the Pension Fund financial statements. This disclosure will be highlighted in an emphasis of matter paragraph in the Pension Fund's audit opinion. This does not constitute a qualification of the audit opinion. Our audit procedures in this area are now complete. No further issues were identified which are required to be reported to the Audit Committee as those charged with governance.

2. Financial Statements – New issues and risks

This section provides commentary on new issues and other risks:

Issue	Commentary	Auditor view
Valuation of Infrastructure Assets • The CIPFA Code of Practice on Local Authority Accounting requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. The Council has material infrastructure assets, at a gross and net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	The inherent risks which we identified in relation to infrastructure assets were: • an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have carried out audit inquiries to understand the control environment around the recognition and derecognition of infrastructure assets. In common with most other authorities there was not a clear mechanism by which existing infrastructure assets which still have a net book value on the balance sheet being depreciated are derecognised when the asset is replaced. There is therefore a risk that the infrastructure assets (both the gross assets and accumulated depreciation) could be materially misstated – the Council's system for derecognising these assets does not sufficiently mitigate this risk. We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs).	We have completed the following work focusing on the Council's current year's infrastructure assets: - Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets - Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs - Evaluated the competence, capabilities and objectivity of any management expert relied upon - Challenged the information and assumptions used to inform the estimate - Considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets. Based on our work, we are satisfied that the Council has: • correctly applied the SI and the requirements in the CIPFA Code update • appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements • not identified any prior period adjustments requiring disclosure in the accounts.

2. Financial Statements – key judgements and estimates – Council

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £335.8m	Other land and buildings comprises £253.9m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£81.9m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks, Head and Eve to complete the valuation of properties as at 31 March 2021 on a five yearly cyclical basis. 93% of total land and buildings assets were revalued during 2020/21. Management have considered the year end value of properties which were not revalued as at 31 March 2021 and the potential valuation change in the assets since the last revaluation date. Management have applied indices and sought advice from their specialist valuer to determine whether there had been a material change in the total value of these properties. Management's assessment of assets not revalued identified no material change to the properties' value, and no further valuations outside of the initial programme were required as at 31 March 2021. The total year end valuation of land and buildings was £335.8m, a net decrease of £5.8m from 2019/20 (£341.6m).	• We have assessed management's expert, Wilks, Head and Eve, to be competent capable and objective. • The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties. • 93% of properties have been valued as at 31 March 2021. • We engaged our own valuation specialist, Gerald Eve, to provide a commentary on the instruction process for Wilks, Head and Eve, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • Valuation methodologies applied are consistent with those applied in the prior year. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements. As outlined at Appendix C, two accounting errors were made by management in relation to posting entries to their financial systems. Both of these were corrected and we are satisfied that neither is indicative of a deficiency in the underlying accounting process. No other significant findings were identified from our audit of the accounting estimate relating to valuation of Land and Buildings.	Light purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates – Council

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £657.9m	The Council's total net pension liability at 31 March 2021 is £657.9m (PY £498.4m) comprising the Hammersmith and Fulham Pension Fund and the London Pension Fund Authority obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £136.7m net actuarial loss during 2020/21.	• We have assessed the actuary, Barnett Waddingham, to be competent, capable and objective. • We have performed additional tests in relation to accuracy of contribution figures and benefits paid to gain assurance over the 2020/21 calculation carried out by the actuary. • We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for out comparison of actuarial assumptions:	Light purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% - 2.05%	●
Pension increase rate	2.80%	2.80% - 2.85%	●
Salary growth	3.80%	1.00% above CPI	●
Life expectancy – Males currently aged 45 / 65	23.3 / 21.9	21.9 – 24.4 / 20.5 – 23.1	●
Life expectancy – Females currently aged 45 / 65	25.9 / 24.5	24.8 – 26.5 / 23.3 – 25.0	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2020/21 to the valuation method.
- Our work confirms that the decrease in the IAS 19 estimate is reasonable.

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates – Council

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provision for NNDR appeals - £20.5m	The Council is responsible for repaying a proportion of successful rateable value appeals. In 2020/21, management used an external organisation, Analyse Local, to calculate the level of provision required. Analyse Local's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to the change in the proportion of the overall provision attributable to the Council, the provision in the financial statements decreased by £8.0m in 2020/21.	• We have assessed management's expert, Analyse Local, to be competent, capable and objective. • Analyse Local have used up to date data around outstanding appeals and potential information around unlodged appeals and historic success rates to form a reliable estimate of the impact on Rateable Values in the future, and timings based on historic observations. • The methodology used is consistent with comparable local authorities • The disclosure of the estimate in the financial statements was found to be adequate.	Light purple
Land and Buildings – Council Housing - £1,412.2m	The Council owns over 12,000 dwellings and is required to revalue these properties in accordance with the Stock Valuation for Resource Accounting guidance, published by DLUHC. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Wilks, Head and Eve to complete the valuation of these properties. The year end valuation of Council Housing was £1,412.2m, a net increase of £107.9m from 2019/20 (£1,304.3m).	• We have assessed management's expert, Wilks, Head and Eve, to be competent, capable and objective • The valuer has correctly prepared the valuation using the stock valuation guidance issued by DLUHC, and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH) value disclosed within the accounts. • All properties have been valued as at 31 March 2021, with over 200 beacon properties being fully revalued as at this date • We engaged our own valuation specialist, Gerald Eve, to provide a commentary on the instruction process for Wilks, Head and Eve, the valuation methodology and approach, and the resulting assumptions and any other relevant points No significant findings were identified from our audit of the accounting estimate relating to valuation of Council Housing.	Light purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates – Council

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation – £453.1m	The government has provided a range of new financial support packages to the Council and all local authorities throughout the Covid-19 pandemic. These included additional funding to support the cost of services or offset other income losses, and also grant packages to be paid out to support local businesses. The Council has needed to consider the nature and terms of each of the various Covid-19 measures in order to determine the appropriate accounting treatment, including whether there was income or expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) for the year. In doing so, management has considered the requirements of section 2.3 of the Code of Practice on Local Authority Accounting which relates to accounting for government grants, as well as section 2.6 which describes how the accounting treatment for transactions within an authority's financial statements shall have regard to the general principle of whether the authority is acting as a principal or agent, in accordance with IFRS 15. The three main considerations made by management in forming their assessment were: • Where funding is to be transferred to third parties, whether the Council was acting as a principal or agent, and therefore whether income should be credited to the CIES or whether the associated cash should be recognised as a creditor or debtor on the Balance Sheet • Whether there were any conditions outstanding at year-end, and therefore whether the grant should be recognised as income or a receipt in advance • Whether the grant was awarded to support expenditure on specific services or was in the form of an un-ringfenced government grant – and therefore whether associated income should be credited to the net cost of services or taxation and non-specific grant income within the CIES	• We are satisfied that management has effectively evaluated whether the Council is acting as the principal or agent for each relevant support scheme, which has determined whether any income is recognised. • Schemes for which the Council has recognised income include the Business Rates Relief S31 Grant (£43.2m), Covid-19 Local Authority Support Grant (£11.7m), Covid-19 Income Loss Compensation (£13.1m), Additional Restrictions Grant (£5.3m), Local Authority Discretionary Grant Fund (£2.4m), We are satisfied from review that this treatment is consistent with the nature and terms of the relevant schemes. • We have evaluated the completeness and accuracy of the underlying information used to determine whether there were conditions outstanding (as distinct from restrictions) at the year-end that would determine whether the grant should be recognised as a receipt in advance or income, and concluded that this was appropriate. • We have considered management's assessment, for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We are satisfied that the presentation in the CIES is appropriate. • Management's disclosure of the Council's accounting treatment for grant income in both the financial statements and Narrative Report is sufficient.	Light purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates – Council

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £3.2m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). No MRP charge is made in respect of borrowing for the acquisition of assets held in the Housing Revenue Account (HRA). According to regulations, this is on the basis that HRA assets should be self-financing, with local authorities being required to make an annual charge from the HRA to their Major Repairs Reserve in place of MRP, to maintain functionality of housing assets. The year end MRP charge was £3.2m, a net increase of £0.9m from 2019/20 (£2.3m).	• the MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance • the Council's policy on MRP in relation to borrowing taken out for the acquisition of General Fund assets complies with statutory guidance • the Council's policy on MRP was discussed and agreed with those charged with governance and approved by full council as part of the Treasury Management Strategy Statement in February 2020 • there have been no changes to the Council's MRP policy since 2019/20 • our audit procedures to determine whether the level of increase in the MRP charge is reasonable in the context of additional borrowing incurred during the year, did not identify any significant findings or concerns.	Light purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates – Pension Fund

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £72.0m	The Pension Fund has investments in private equity and infrastructure funds that in total are valued on the net assets statement as at 31 March 2021 at £72.0m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management relies on information provided by the General Partners to the private equity funds, who prepare valuations in accordance with the International Private Equity and Venture Capital Valuation Guidelines, and produce accounts to 31 December 2020 which are audited. The value of the investment has increased by £1.3m in 2020/21, due to a combination of purchases, sales and changes in market value.	• We have assessed the appropriateness of the underlying information used to determine the estimate, including fund manager and custodian reports, and audited accounts of the private equity funds as at 31 December 2020 • We have corroborated the cash flows associated with each fund from the date of the audited accounts to 31 March 2021. • We have assessed the consistency of the estimate against peers and industry practice • We have reviewed the reasonableness of the increase in the estimate • We have assessed the adequacy of disclosure of estimate in the financial statements • As outlined on page 11, an infrastructure Investment Fund held at level 3 in the fair value hierarchy, in which the Pension Fund held a material investment as at 31 March 2021, received a qualified audit opinion on their financial statements as at 31 December 2020. Management's evaluation was that this issue did not lead to a material misstatement of the financial statements or result in an erroneous valuation of the Pension Fund's investment in the infrastructure fund. However disclosure of managements judgement in this regard was included in Note 4 to the Pension Fund financial statements. This disclosure will be highlighted in an emphasis of matter paragraph in the Pension Fund's audit opinion. This does not constitute a qualification of the audit opinion. • We considered the impact of the current conflict between Russia and Ukraine, in particular whether the Pension Fund held any investments in Russian or Ukranian companies and the subsequent impact on their valuation. The Fund did not have significant holdings in Russian or Ukrainian companies as at 31 March 2021 and any fluctuations would be non-adjusting in nature given that the circumstances arose after the year-end.	Light purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates – Pension Fund

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,142.9m	The Pension Fund has investments in pooled equity and property funds that in total are valued on the balance sheet as at 31 March 2021 at £1,142.9m. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management make use of evaluated price feeds, with the exception of the valuation of property investments which is based on evaluation of market data. The value of the investments have increased by £266.7m in 2020/21, largely driven by changes in market value.	• We have assessed the appropriateness of the underlying information used to determine the estimate • We have assessed the consistency of the estimate against peers and industry practice • We have reviewed the reasonableness of the increase in the estimate • We have assessed the adequacy of disclosure of estimate in the financial statements	Light purple

Assessment

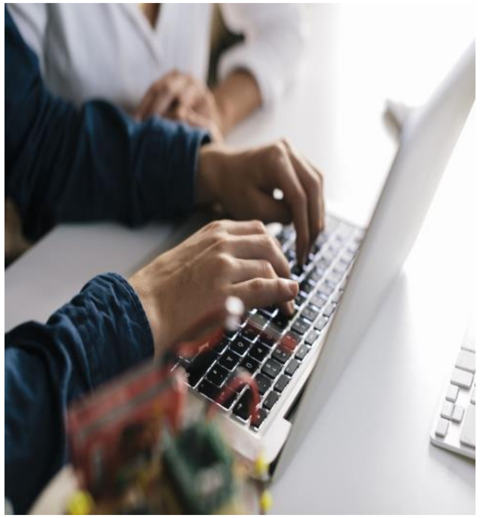
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	The Council and Pension Fund have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation will be requested from the Council and Pension Fund in advance of the finalisation of the financial statements and the issue of the audit opinions on the financial statements.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council and Pension Fund's banking and investment counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We wrote to those solicitors who worked with the Council and Pension Fund during the year, to confirm the completeness of provisions and contingent liabilities. All responses requested have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. We identified upon review that the accounting policy relating to revenue recognition did not explicitly address key provisions of IFRS 15 relating to fulfilment of performance obligations. From audit procedures undertaken relating to material revenue streams within the financial statements, we are satisfied that IFRS 15 has been appropriately adopted and applied where appropriate. We are also satisfied that the policy described would not give rise to an accounting treatment which would materially differ from that which has been applied.
Audit evidence and explanations/ significant difficulties	During the audit process, remote working arrangements with the Council and Pension Fund's finance teams have been collaborative and efficient. However, delays have been experienced in obtaining information from teams within the Council outside of finance, and third party providers. For example: - Obtaining HR and payroll data from schools - Obtaining lease agreements from the Council's estates team - Obtaining access to the pensions administration system hosted by Surrey County Council We also had significant difficulties in obtaining suitable analyses and populations of debtors and creditors in order to complete our required audit testing. This has resulted in the work in this area taking significant additional audit team resource to complete.

2. Financial Statements - other communication requirements

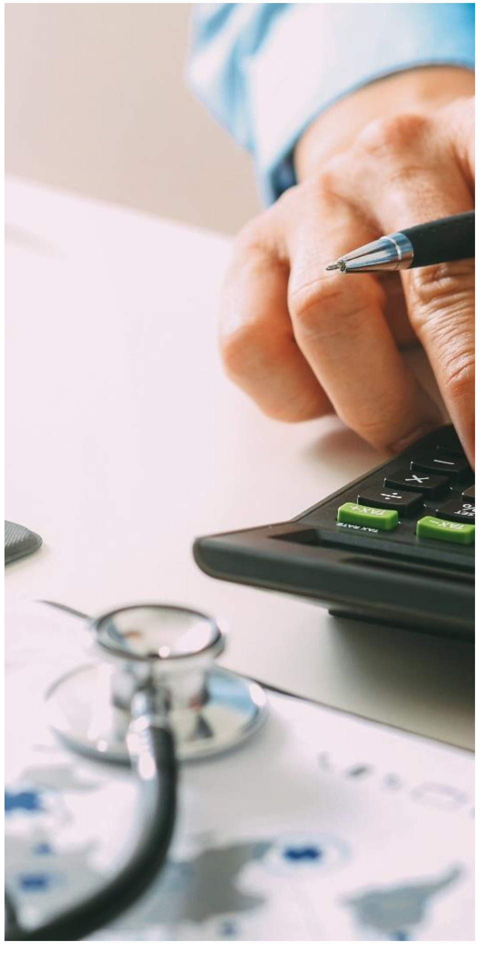
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council and Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and Pension Fund and the environment in which they operates • the Council and Pension Fund's financial reporting framework • the Council and Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude for both the Council and Pension Fund that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters. We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. This will be completed once the opinion on the Pension Fund financial statements has been issued.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audits of the London Borough of Hammersmith and Fulham and Hammersmith and Fulham Pension Fund in the audit reports, as detailed in Appendix E. This is because we have not yet completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021 as above. Upon completion of this work we will be in a position to certify closure of the 2020/21 audits.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Our Value for Money procedures are now complete and our Auditor's Annual Report was finalised and reported to the 13 September 2022 Audit Committee meeting. Our work did not identify any significant weaknesses in arrangements, but 12 improvement recommendations were made as part of this work.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written 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

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and Pension Fund. The following non-audit services were identified. We have detailed below the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Agreed upon procedures relating to pooling of housing capital receipts (Council)	5,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £200,092 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, this work will take place after the audit is completed. The amounts involved are not material to our opinion meaning that the likelihood of material errors in the financial statements arising as a result of this work is low. The Council has informed management who will decide whether to amend returns for our findings, and agree the accuracy of our reports.
Agreed upon procedures relating to the Teachers' Pensions End of Year Certificate (Council)	7,700	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,700 in comparison to the total fee for the audit of £200,092 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, this work will take place after the audit is completed. The amounts involved are not material to our opinion meaning that the likelihood of material errors in the financial statements arising as a result of this work is low. The Council has informed management who will decide whether to amend returns for our findings, and agree the accuracy of our reports.
Certification of Housing Benefit Subsidy Claim (Council)	44,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £44,000 in comparison to the total fee for the audit of £200,092 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, this work will take place after the audit is completed. The amounts involved are not material to our opinion meaning that the likelihood of material errors in the financial statements arising as a result of this work is low. The Council has informed management who will decide whether to amend returns for our findings, and agree the accuracy of our reports.

4. Independence and ethics (continued)

Service	Fees £	Threats identified	Safeguards
Non-audit services			
CFO Insights Subscription (Council)	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 is £12,500 in comparison to the total fee for the audit of £200,092, 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. The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

These services are consistent with the Council and Pension Fund's policy on the allotment of non-audit work to external auditors. None of the services provided are subject to contingent fees.

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Trust 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 Trust.
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 Trust 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 Trust.
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 Trust'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 as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Action plan – Audit of Financial Statements - Council

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Recording of accounts payable invoices** During testing of post-year end invoices received after the year-end to gain assurance of completeness of liabilities, we identified a number of invoices which had been received by the Council in mid-2020 but not recorded in the accounts payable system until April or May 2021. Whilst we are satisfied that the expenditure relating to these invoices was correctly recorded in the appropriate accounting period, delays in administrative processes give rise to a risk of expenditure being erroneously omitted from the financial statements.	Processes should be reviewed to ensure that purchase invoices received by the Council are recorded in the accounts payable system in a timely manner. **Management response** Agreed – communications on this matter will be circulated to relevant officers to ensure timely processing of invoices.
Medium	**Audit trail reports for the Reliefs and Reductions amounts in the Collection Fund** When listings of reliefs and reductions were requested, these could not be provided because the council had not run reports from the system at the year end date and retained these as audit trails. As the system is a “live” system, the reports run at a later date do note agree fully to the reliefs/reductions amounts in accounts working papers and therefore are not a reasonable supporting audit trail.	We would recommend that processes are reviewed to ensure that appropriate detailed listing reports are retained to support the amounts in the Collection Fund working papers, and to facilitate the audit testing of these amounts. **Management response**

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements – Council (continued)

Assessment	Issue and risk	Recommendations
Medium	**Accurate recording of grants and contributions received in advance** During our sample testing of long-term grants and contributions received in advance, we identified two items which had been classified as developer contributions but were in fact other grants received in advance. Whilst there is no impact on the balance sheet as at 31 March 2021, as both types of receipt comprise part of the same line item, the permitted usage of grants and contributions under statute can vary and as such there is a risk that budget-setting may be impacted by inaccurate recording.	Management should implement a more comprehensive review process to ensure that grants and contributions received in advance are classified and accounted for appropriately. **Management response** Agreed – the grants process and contributions process will be reviewed.
High	**Legacy balances brought forward in debtors and creditors listings provided to audit** As part of the audit approach, we test the existence and accuracy of creditor and debtor balances recorded in the balance sheet and as such requested a listing from management, as part of the initial working paper request list for the audit, of outstanding amounts at the balance sheet date. The Council's accounting system contains a high volume of legacy balances brought forward from the previous accounting system which have not subsequently been written down effectively as amounts have been settled. This issue led to significant challenges in undertaking audit procedures in these areas and presents a risk that management will be unable to effectively analyse their outstanding creditor and debtor balances for financial management purposes.	A 'housekeeping' exercise should be undertaken by management to write down legacy balances where appropriate, to allow for effective analysis, and ensure that listings provided for audit are fit for purpose. **Management response** Agreed – a housekeeping exercise will be undertaken.
Medium	**Employee leaver forms** In our sample testing of employee leaver forms which was undertaken to gain an expectation for payroll expenditure recorded for the year, we identified a number of instances where overpayments of salaries had occurred due to no or late notification of resignation, either from the employee themselves or from their hiring manager. Whilst we are satisfied that this has not given rise to a material error in the 2020/21 financial statements, there is a risk that without sufficient monitoring of controls, more extensive overpayments could occur which are difficult for the Council to subsequently recover.	Management should put into place procedures ensure that processes and controls around employee leavers are consistently applied. **Management response** Agreed.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements – Council (continued)

Assessment	Issue and risk	Recommendations
Medium	**Misclassification of bank overdrafts** The Cash and Cash Equivalents disclosure note in the financial statements included £1,687k classified as 'bank overdrafts'. Upon auditor review, it was identified that these items in fact represented uncleared items which should have been included as reconciling items on management's bank reconciliation, and not genuine overdraft amounts. Management elected not to correct this presentation as they do not consider it to be material to the financial statements. However there is a risk that should this mis-presentation continue, it could mislead the user of the financial statements with regard to the nature of the Council's cash holdings. This finding is linked to the finding around bank reconciliations identified in previous years, as outlined in Appendix B.	Management should ensure that bank balances are appropriately classified in the disclosure note to reflect the nature of these holdings, with any genuine overdrafts being presented separately on the face of the balance sheet as required by the relevant accounting framework. **Management response** Agreed – this will be implemented as part of the closure of the 2021/22 accounts.
Medium	**Process for capitalisation of employee salaries** Within our sample testing of capital expenditure, we selected a number of items relating to the capitalisation of employee salaries. The basis on which these had been calculated was on an annual basis, rather than a review of actual time spent on a capital project on an ongoing basis. We are satisfied from audit procedures undertaken that this issue has not led to a material misstatement within the 2020/21 financial statements. However, there is a risk that, where this process occurs only annually, inaccurate time is recorded leading to inaccurate charges to capital and the general fund.	Processes should be implemented to capture employee time to be capitalised on a more regular basis such as monthly. **Management response** Agreed – management will look into at more frequent capitalisation where practicable - this would most likely be quarterly to coincide with the quarterly monitoring process.
Medium	**Impairment review for assets not revalued** During the performance of our procedures we noted that the Council did not carry out an assessment of whether there were impairment indicators for assets that were not subject to the external valuation exercise. Due to the volatility of the property market there is a risk that the assets not revalued may be misstated.	Management should ensure that they have implemented procedures or policies to assess the assets not revalued and ensure they are not materially misstated. **Management response** Agreed, management will build this into the overall valuation process with input from our external valuers.
Low	**Collection Fund reliefs** We were unable at the date of the audit to obtain a listing of reliefs that reconciled to the Collection Fund working papers and year end system reconciliations.	We would recommend that in order to keep a full audit trail, that the underlying listings for the Collection Fund system including reliefs and exemptions, are retained as evidence for the system reconciliations and for sampling from the system at year end audit fieldwork.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements – Pension Fund

We have identified the following recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	Journal entries control environment We identified during our testing of journal entries that there is no two-stage authorisation process for journal entry postings in place. We have not identified from our testing of journal entries any material misstatements or instances of management override of controls. However, we do not test every journal and there may be undetected fraud or error	It is best practice to include either a manual or automated two-stage approval process for journal entries to evidence that entries have been subject to adequate review prior to posting. Without this approval process we consider that there is an increased risk of undetected fraud or error. **Management response** Agreed – management will investigate the possibilities and implement as necessary an offline two-stage approval mechanism.
	Retention of supporting documentation in relation to journal entries In our testing of journal entries, we identified that no evidence of approval had been retained for journal entries posted by an individual who had subsequently left the organisation. We are satisfied from substantive procedures undertaken that the journal entry postings themselves were appropriate and not indicative of management override of controls.	Evidence for approval of all journals should be retained in a shared location to evidence the audit trail. **Management response** Agreed - for 2021/22 all journal approvals and evidence are to be saved to a central location to ensure the process is streamlined for audit at year end.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations – Council

We identified the following issues in the audits of the Council's 2018/19 and 2019/20 financial statements, which resulted in nine recommendations being reported in our 2019/20 Audit Findings report, including those which had been identified during the 2018/19 audit but had not been subsequently resolved.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Indices used in Council Dwellings valuations** During our testing of the valuation of Council Dwellings as at 31 March 2020, we identified that outdated Land Registry House Price indices had been used in the calculation of the valuations at that date by management's valuation specialist. Further evaluation identified that this could indicate that year-end valuations reported in the draft financial statements could be materially misstated. Management commissioned their valuation specialist to re-perform the valuations relating to Council Dwellings incorporating more recent information, which led to an adjustment of £11.8m to the financial statements. There is a risk that where outdated indices are used, this could cause a material error in the estimate given the high value of the estimate in the financial statements, small percentage changes can cause large absolute exceptions We recommended that management ensure that instructions to their valuation specialist stipulate that the most recent valuation indices at the date of reporting should be used as part of valuation calculations, and that changes in market conditions resulting in changes in indices are kept under frequent review.	Management continued to work with their internal and external valuer to ensure that the most up to date information is used to determine values at the balance sheet date. No similar issues were identified during the course of the 2020/21 audit, and as such this finding is considered closed.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations – Council

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Accuracy of data provided to valuation specialists** During audit testing of the valuation of the Council's investment properties, we identified three properties which had errors in the rental income which formed a key input into the calculation of the valuation of these properties as at 31 March 2020, performed by management's valuation specialists. These errors led to a likely overstatement of the valuation of these properties as at 31 March 2020, which was reported as an unadjusted misstatement in the Audit Findings Report. This was due to errors in extracting the data from the Council's systems before this was sent to the valuation specialist. Whilst we were satisfied from additional audit procedures undertaken that this issue did not lead to a material misstatement in the financial statements as at 31 March 2020, there is a risk that should sufficient quality assurance checks not be undertaken on data passed to valuation specialists, this could lead to material differences, depending on scale, going forward. We recommended that management implement a more rigorous review and reconciliation process of data such as rental income provided to valuation specialists to inform their year-end valuation calculations, to ensure that data provided is complete and accurate.	Management continued to work with their internal and external valuer to review key inputs and perform reconciliations of data to ensure that accurate and complete information is submitted to the external valuers for performance of the valuations. No similar issues were identified during the course of the 2020/21 audit, and as such this finding is considered closed.
✓	**Completeness of schools data in the financial statements** Management identified during the 2019/20 audit that the year-end data return in respect of one of the Council's maintained primary schools had been erroneously omitted from the financial statements. This led to an understatement of gross income, gross expenditure and cash balances in the draft financial statements. Whilst we were satisfied that the impact of this error in 2019/20 was immaterial, and the error was appropriately corrected for in the final draft of the financial statements, there is a risk that where reconciliation processes are not undertaken at year-end to ensure completeness of data in the financial statements, this has potential in future to lead to material errors. We recommended that management ensure that adequate year-end reconciliation processes are undertaken to gain assurance over completeness of schools data in the financial statements.	Management integrated the recommendation into their closing timetable for 2020/21. This included performing reconciliations to ensure the completeness of schools' data in the financial statements. No similar issues were identified during the course of the 2020/21 audit, and as such this finding is considered closed.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations – Council

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially addressed	Collection Fund accounting and closedown practices During audit testing of the Collection Fund, we identified a number of best practice control recommendations: - We noted historic debtor balances from Council Tax and NDR dating back to the 1990s. As these are unlikely to be recovered, the Council should consider writing off historic Collection Fund debtors. - For NDR provisions, the source data is extracted directly from the VOA by a third party. The Council performs checks on the VOA data which Analyse Local use in their report to confirm that the RV and other relevant details are in line with the system, however this process is not documented. - We noted issue in our Council tax benefits testing, where a large benefit of £260m was applied (and immediately reversed) to an account. The reason that this account has such a large absolute value is that a benefit was applied due to human error by a user as a result of posting the claim number into the amount box rather than the benefit. - It was identified through testing that the NDR Rateable Value disclosed in Note 2 to the Collection Fund account was overstated by £8,883k. This was a result of management using Rateable Value reports from the Valuation Office Agency dated February 2020, rather than the most up to date information as at year-end. We recommended that: - Management consider writing off historic Collection Fund debtors - Management document reconciliations of VOA data used by their specialist - Management put controls in place to prevent excessive payments being applied to Council Tax accounts. - Management put into place processes to ensure that the most up to date VOA information is used in preparation of the financial statements.	Management reviewed data entry controls within the system to prevent excessive charges or credits. Management further noted that they have a robust detective and preventative controls in place to guard against making significant or anomalous payments and they would continue to work with internal colleagues and specialists to ensure there are implemented. During the 2020/21 audit, we again identified a high volume of historic debtor balances in sample testing which could be considered for writing off. This recommendation is therefore ongoing. No issues were identified during the course of the 2020/21 audit in respect of other findings noted, and as such this finding is considered closed.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations – Council

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Bank reconciliation The Council provided a full bank reconciliation at 31 March 2019. Due to the transition to SAP and the need to improve the bank reconciliation process with the Hampshire IBC, the Council needs to develop its bank reconciliation process to ensure that this is completed promptly on a monthly basis. We recommended that the Council should review the bank reconciliation process with Hampshire IBC to ensure the bank reconciliation process can be performed promptly. In 2020/21, a further issue was identified in respect of testing of the Council's bank reconciliation as at 31 March 2020, in that the cash book figure in the bank reconciliation did not agree to the year-end general ledger position. Management explained that this was due to team members continuing to post transactions during the day when the bank reconciliation had been performed. We recommended that management ensure that after completion of the year-end bank reconciliation during closedown, no transactions are subsequently posted until the new financial year has been opened on the general ledger.	This issue recurred in 2020/21, and was also identified within schools bank account reconciliations as at 31 March. Management explained that they continue to work with the system service provider to resolve this issue, and the recommendation is therefore ongoing.
✓	IT Control - SAP Password Controls Weak password controls could give rise to compromise of accounts through password guessing or cracking. The risk would be that weak password controls could give rise to compromise of accounts through password guessing or cracking. We recommended that management review the adequacy of the current password criteria regarding length in light of NCSC advice to strengthen those passwords that are not changed by business users. In 2019/20, work on this recommendation remained ongoing.	This issue was resolved in 2020/21 as evidenced by the documentation provided in the controls assurance report from the auditors of Hampshire County Council, who host the Council's financial systems.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations – Council

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	IT Control - Insufficient details from SOC report demonstrated that the controls are designed adequately for SAP. We noted that there were insufficient details to demonstrate that the controls listed below were designed adequately: • Duties of security personnel do not include programming or IT management • User IDs required to be unique • Passwords are encrypted • Unauthorised access attempts are logged, investigated and follow-up actions documented. The risk would be that management would not have complete assurance over the design adequacy of the controls We recommended that management confirm the arrangements that HCC have implemented on behalf of LBHF with respect to the following controls to ensure that: • Duties of security personnel do not include programming or IT management. • User ids are unique. • Passwords are encrypted. • Unauthorised access attempts are logged, investigated and follow-up actions documented. In 2019/20, work on this recommendation remained ongoing.	This issue was resolved in 2020/21 as evidenced by the documentation provided in the controls assurance report from the auditors of Hampshire County Council, who host the Council's financial systems.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations – Council

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Financial Sustainability** In 2018/19, we reported that the Council was using its reserves to meet ongoing pressures on Dedicated Schools Grant funding and to invest in regeneration projects. Whilst the Council's reserves were currently sufficient, this will not be sustainable in the medium term. We recommended that the Council needs to manage reserves carefully to ensure that they remain sufficient. We would strongly recommend that use of reserves for new projects is limited in future years other than for specifically earmarked schemes. In addition, the Council needs to identify sustainable solutions to address the ongoing pressures on Dedicated Schools Grant funding. In 2019/20, we reported that, in light of the Covid-19 pandemic, the Council had put a hold on any significant new unfunded financial commitments. However, the Council incurred a net revenue overspend in 2019/20 which was met from existing reserves, and was forecasting a net revenue overspend again in 2020/21. This recommendation was therefore carried forward.	Management noted that they continue to keep under review, but the Council's level of reserves increased significantly in 2020/21. In part this related to the carry forward of £51.4m regarding the financial impact of Covid-19. The majority of this is not new money for the council to spend. It is required to fund existing liabilities regarding business rates reliefs (£41m) and business grants (£3.9m). The reserves include, in line with accounting practice, £46.0m relating to developer contributions. The use, and monitoring of such contributions, is subject to a separate approval and monitoring process. This issue will be considered closed as going forward, findings relating to financial sustainability will be reported as part of our value for money procedures in our separate Auditor's Annual Report.
x	**Employee Contracts** In 2018/19, we reviewed, on a sample basis, employee contracts held by the Council. Contracts were on file for the sample of employees reviewed but they were not signed by the respective employees. We recommended that the Council's HR team reviews the documentation on file to ensure each employee has a signed contract. There is a risk that the Council could end up in litigation if complaints/cases are filed by employees against the Council. In addition, HR teams to ensure that a review of all new starters are checked on a monthly basis to ensure they have obtained a signed copy of the contracts. In 2019/20, work on this recommendation remained ongoing.	Management noted that the recommendation was considered as impractical as it would involve the review of over 2,000 employee files to check to see if there was a signed contract on file and would have added little value as the situation would not be capable of amendment. In addition this recommendation would not have implemented during COVID when resources with P and T were being applied to more urgent activities to support the organisation during the Pandemic. In the current process, we do not require employees to sign their employment contract as the whole process is now online. Every new employee gets a copy of the contract via email as soon as they complete their New Employee Step online. This recommendation is therefore ongoing.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations – Pension Fund

We identified the following issues in the audit of the Pension Fund's 2019/20 financial statements, which resulted in two recommendations being reported in our 2019/20 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Lump sum payments process Prior to the start of the audit, the Fund's management alerted the audit team to the fact that a significant overpayment had been made to an individual alongside their lump sum payment during the year due to human error in inputting an extra digit. This was as a result of a manual process in place whereby the calculation for the lump sum payment had not been subject to sufficient scrutiny, with review being based on whether the coding of the payment was appropriate rather than whether the amount had been calculated correctly. Once the overpayment was identified, this was raised for repayment, which subsequently occurred. The Fund's management also commissioned an internal audit review into how this occurred and how controls in place could be strengthened, which raised a number of recommendations for management to implement. We were satisfied from our audit testing of lump sum benefit payments that there were no further anomalies during the year and that, following the repayment, this did not lead to a wider issue in 2019/20. However, there remains a risk that this issue could recur without additional control processes being implemented. We recommended that management implement the recommendations of internal audit in respect of strengthening controls in the payment process.	Further controls were subsequently implemented on all manual payments over £25k in accordance with internal audit recommendations. No further instances of overpayment were identified during the 2020/21 audit process. Therefore this issue is considered to be adequately addressed.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations – Pension Fund

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	Data retention on Altair pensions administration system During our testing of starters and leavers from the Pension Fund, we identified a number of instances where correspondence with the members was not retained on the Altair pensions administration system in accordance with documented procedures. This issue affected 1/25 starters and 15/25 leavers selected for testing. We recommended that management retain correspondence with Pension Fund members within the system to maintain a complete record and ensure that information held is up to date.	At the time of the 2020/21 audit, the Pension Fund was in the process of transferring administration provider from Surrey County Council to the Local Pensions Partnership Administration, which it anticipates will present an opportunity for service improvement. Management have ensured that record retention has been highlighted to the new provider as an audit requirement. The transfer is expected to be completed by early 2022. Note that we have continued to find similar issues in our testing for 2020/21 but this would have no numeric/monetary impact on the statements and as such is considered an administrative issue only. This issue is expected to be addressed by the transfer of the administration services in the 2021/22 year. We have identified this as an area of potential risk for the 2021/22 year audit and we will follow this up in work for that audit.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments – Council

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021. This table will be updated in the final version of this report and findings shared with the Audit Committee as those charged with governance in advance of issuing our audit opinion on the financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
Double counting of property valuation In reviewing revaluation movements recorded in the fixed asset register, we identified that management had double-counted one of the revalued assets in the financial statements. The financial statements have been adjusted to correct this error, which has led to a decrease of £3.8m in Property Plant and Equipment recognised in the Balance Sheet, and a corresponding increase of £3.8m in Other Operating Expenditure recorded in the CIES. Various other statements and notes are impacted by the amendment, including the Movement in Reserves Statement and Cash Flow Statement.	3,778	(3,778)	3,778
Split of Other Land and Buildings and Surplus Assets revaluation between Revaluation Reserve and Surplus or Deficit on Provision of Services In review of the fixed asset register, a formula error was identified which meant that the split of the revaluation movements in respect of Other Land and Buildings and Surplus Assets, between the Revaluation Reserve and the Surplus or Deficit on Provision of Services, as stated in the draft set of financial statements, was incorrect. The impact on the Comprehensive Income and Expenditure Statement was a reclassification of £8.5m between the Cost of Services (COS) and Other Comprehensive Income (OCI). The impact on the Balance Sheet was a corresponding reclassification between the Revaluation Reserve and the Capital Adjustment Account, both of which are within the Balance Sheet line for 'Unusable Reserves'. There is no impact on the Council's useable reserves position, as a result of the statutory accounting entries required for capital transactions. Various other statements and notes are impacted by this amendment, including the Movement in Reserves Statement and Cash Flow Statement.	(8.528) (COS) 8,528 (OCI)	0	(8.528) (COS) 8,528 (OCI)
Overall impact	**3,778**	**(3,778)**	**3,778**

C. Audit Adjustments – Council (continued)

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
Overstatement of debtors and creditors due to misposting In our testing of debtors, we identified a credit balance of £4.02m incorrectly posted to creditors where it should have been netted off within debtors. This grossed up debtors and creditors; so net assets is not impacted overall and there is no impact on the comprehensive income and expenditure from this adjustment.	Nil	4,020 (debtors) 4,020 (creditors)	Nil
Overall impact	3,778	(3,778)	3,778

C. Audit Adjustments – Council

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This table will be updated in the final version of this report and findings shared with the Audit Committee as those charged with governance in advance of issuing our audit opinion on the financial statements.

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
Balance Sheet The Code 3.4.2.62 requires the balance sheet to include line items including g) investments in associates and joint ventures. This was omitted in the draft accounts. The Balance Sheet was amended so as to include this classification.	✓
Note 1 – Expenditure and Funding Analysis The order in which the columns within Note 1 were presented was amended to ensure compliance with the Code of Practice on Local Authority Accounting.	✓
Note 5 - Material Items of Income and Expense In our review of this note we highlighted that the description of the material items in 2019/20 described the assets as under construction which was not accurate as the assets were in fact surplus assets. The commentary was amended to make clear that these were not assets under construction.	✓
Note 9 – Property, Plant and Equipment – useful lives of assets We identified through audit testing of surplus assets that useful lives for this type of asset were incorrectly stated as 41-46 years, whereas a range of 50-54 years had been estimated by management's valuation specialist and applied to the accounting estimate. The disclosure of useful lives used was correctly updated in the final draft of the financial statements.	✓
Note 12 – Assets Held for Sale From initial review of the financial statements we identified that £13,229k of assets held for sale had been classified as long-term assets on the balance sheet but current assets in the disclosure note. Auditor evaluation of management's workings and the nature of the assets concluded that classification as long-term was appropriate. The disclosure note was therefore amended to reflect this. There is no impact on the balance sheet from this amendment.	✓

C. Audit Adjustments – Council

Misclassification and disclosure changes (continued)

Disclosure amendment	Adjustment agreed?
Note 17 – Cash and Cash Equivalents The disclosure note in the financial statements includes £1,687k classified as 'bank overdrafts'. Upon auditor review, it was identified that these items in fact represented uncleared items which should have been included as reconciling items on management's bank reconciliation, and not genuine overdraft amounts. Management have elected not to correct this presentation as they do not consider it to be material to the financial statements. There is no impact on the carrying value of cash and cash equivalents recorded in the balance sheet.	x
Note 20 – Provisions Following auditor review of the nature of movements on the NDR appeals provision, management realigned the movements disclosed within the disclosure note to reflect their nature, such that 'Additional provisions' decreased from £8,339k to £3,992k, 'amounts used' decreased from £16,358k to nil and 'unused amounts reversed' increased from nil to £12,011k. There is no impact on the value of provisions recognised in the balance sheet.	✓
Note 21 – Financial Instruments – balances We identified a number of errors within the 'Financial Instruments – Balances' table in section (i) of the disclosure note, all of which have been corrected for in the final draft of the financial statements: • The short-term creditors figure was understated by £42,207k as a result of a formula error • Cash at bank (including schools bank accounts) had been erroneously omitted from the cash and cash equivalents figure, resulting in an understatement of £10,814k • 2020/21 comparatives disclosed for short-term creditors did not correspond to the audited 2020/21 financial statements • £9,890k of long-term investments which lay outside the scope of financial instrument disclosures had erroneously been included • £7,192k of long-term debtors which related to prepayments, and therefore did not represent financial instruments, were erroneously included.	✓
Note 21 – Financial Instruments – interest expenses In section (iii) of the disclosure note, interest expenses of £11,675k had been erroneously disclosed under both the financial liabilities at amortised cost' and 'financial assets measured at fair value through profit and loss' columns within the table due to a formatting error. This was amended to	✓
Note 21 – Financial Instruments – fair value disclosures Management had erroneously omitted the PFI liability from the fair value disclosure in section (iv) of the disclosure note. This was correctly amended for in the final draft of the financial statements. In addition, the narrative within Note 21 around the fair value of PWLB loans as calculated using the premature redemption rate, included for comparison to the table showing the fair value at the new loan certainty rate, was amended to correctly show the comparative fair value as £401m whereas the draft accounts showed £335m.	✓
Note 21 – Financial Instruments – refinancing and maturity risk disclosures 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.	x

C. Audit Adjustments – Council

Misclassification and disclosure changes (continued)

Disclosure amendment	Adjustment agreed?
Note 25 – Officers' Remuneration – bandings of employees receiving more than £50,000 remuneration We identified that the totals disclosed in a each banding disclosed were incorrect in the first draft of the financial statements as a result of formula errors in management's workings. These were corrected in the final version of the financial statements.	✓
Note 25 – Officers' Remuneration – Exit Packages 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.	x
The bandings within the disclosure note were also amended to ensure compliance with the CIPFA Code, which led to the disaggregation of exit packages above £100k into bandings of £50k as required.	✓
Note 30 – Grant Income 'Capital grants and contributions' credited to taxation and non-specific grant income, recorded at £44,311k in the first draft of the financial statements were disaggregated into non-material line items in the final draft of the financial statements to achieve fair presentation in accordance with IAS 1.	✓
Note 30 – Grant Income – non-current grants and contributions received in advance 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.	x
Note 31 – Related Parties In our review and testing of Senior Officers Remuneration disclosures it was noted that expenditure relating to 2 posts was omitted from disclosure as the payments were made to agencies rather than through payroll. Our view was that the Code requires these amounts to be disclosed as key management personnel provided by a separate management entity (agency). Note 31 was updated to include the payments for these 2 posts.	✓
Note 31 – Related Parties In our review of this note we highlighted that transactions between the Wormwood Scrubs Charitable Trust and the Council had not been disclosed. Although the transactions were not material to the Council in total, the requirements of the Code are that transactions should be disclosed where they are material to either related party, and it was agreed that the total transactions (£813k expenditure from the Trust to the Council) would be considered material to the Trust. The Note was amended to include disclosure of these transactions.	✓
Note 31 – Related Parties A number of amendments were made to the disclosure note to ensure that this only included financial information which related to third parties meeting the definition of a 'related party' in accordance with IAS 24.	✓

C. Audit Adjustments – Council

Misclassification and disclosure changes (continued)

Disclosure amendment	Adjustment agreed?
Note 33 – Interests in Companies The disclosure note was updated to reflect material transactions with group entities, to reflect the disclosure requirements of IAS 24.	✓
Note 34 – Contingent Assets The first draft of the financial statements included disclosure of a material contingent asset relating to discounted market sale units. Following auditor challenge, management determined that these either did not meet the definition for contingent assets under IAS 37 and the Code, or the element which did was clearly immaterial. This disclosure note was therefore removed in the final draft of the financial statements.	✓
Note 36 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty The disclosure note was updated to correctly include the carrying value of the net defined benefit liability, which is subject to estimation uncertainty, as required by IAS 1.	✓
Note 39 – Critical Judgements in Applying Accounting Policies The first draft of the financial statements included a paragraph around 'Accounting for Schools – Transfer of Capital Grants', which upon review, management did not consider to be one of the 'judgements in applying accounting policies that had the most significant effect on amounts recognised', as required to warrant disclosure in accordance with IAS 1. This paragraph was therefore removed from the disclosure note. In addition, management enhanced the narrative included around 'Accounting for Schools – Recognition of Schools' to more clearly explain the impact of the judgement taken on the financial statements.	✓
Note 27 – Defined Benefit Schemes; movements on scheme assets misclassification The disclosed movements in the fair value of scheme assets in the draft accounts were identified to be inaccurate once we carried out analytical testing of the actual return on scheme assets. We carry out an analytical test by applying the actual rate of return for the pension scheme as a whole to the opening scheme assets for the Council. This demonstrated that although we were satisfied that the closing scheme assets for the Council as estimated by the actuary and disclosed in the draft accounts were not materially misstated, the disclosed movements in scheme assets contained some errors in the classifications of type of movements once they were recalculated from the movements as contained in the Pension Fund financial statements. Interest on assets was amended from £20,777k to £10,837k, Return on assets less interest was amended from £168,825k to £186,331k, and Administration expenses was amended from £246 to £7,812k. Note that the reclassificaion of asset movements had no impact on the closing scheme assets or the net liability, so the Balance Sheet was not adjusted by this.	✓

A number of other minor presentational and disclosure changes were made during the course of the audit, which are individually and in aggregate immaterial to the financial statements.

C. Audit Adjustments – Council

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)	This was not considered to be a material adjustment given the materiality limits. 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. This was not considered to be a material adjustment given the materiality limits.
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)	This was not considered to be a material adjustment given the materiality limits.

C. Audit Adjustments – Council

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. This was not considered to be a material adjustment given the materiality limits.
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. This was not considered to be a material adjustment given the materiality limits.
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)	This was not considered to be a material adjustment given the materiality limits.

C. Audit Adjustments – Council

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)	-	2,583 (2,583)	The adjustments shown in the table represent extrapolated errors rather than factual misstatements. This was not considered to be a material adjustment given the materiality limits.
Heritage assets valuation Our testing of the valuation of Heritage Assets held in the Council's Balance Sheet identified that management did not update the carrying amount of their Heritage Assets to reflect the latest independent valuation report. This has resulted in a discrepancy between the carrying value and the independent valuation at the Balance Sheet date (with no impact on the General Fund).	-	1,477 (Heritage Assets) (1,477) (Revaluation Reserve)	-	This was not considered to be a material adjustment given the materiality limits.
Valuation understatement of the net pension liability In our testing of the valuation of the net pension liability across the Council audit and the Pension Fund audit (see findings below) we identified valuation errors totalling £3,666k which represented un understatement of the net liability and associated Pension Reserve (with no impact on the General Fund).	-	3,666 (Net pension liability) (3,666) (Pension Reserve)	-	This was not considered to be a material adjustment given the materiality limits.
Errors identified in creditors sample testing In our sample testing of creditors, we identified 2 balances (£1.3m Better Care Fund creditor and £2.3m Mayoral CIL balance) were in fact funding amounts received in previous years which no longer had any repayment/clawback conditions attached and were therefore more appropriately classified within earmarked reserves (with no impact on the General Fund).	-	5,338 (Short-term creditors) (5,338) (Earmarked Reserves)	-	This was not considered to be a material adjustment given the materiality limits.
Overall impact	(1,246)	1,246	(1,246)	

Impact of prior year unadjusted misstatements

No non-trivial unadjusted misstatements were identified in the 2019/20 financial statements.

C. Audit Adjustments – Pension Fund

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted and unadjusted misstatements

At the time of writing, no non-trivial misstatements have been identified in the financial statements, which management had adjusted for. This position will be updated in the final version of this report, which will be discussed with the Audit Committee as those charged with governance in advance of issuing our audit opinion on the financial statements.

Misclassification and disclosure changes

A number of minor presentational and disclosure changes to the financial statements have been agreed with management. There are no individually non-trivial amendments which have been identified.

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 [ABC] Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Fund Account £'000	Net Assets Statement £'000	Impact on total net expenditure £'000	Reason for not adjusting
Timing differences between Fund Manager data and custodian report In testing of one investment asset, a variance was identified between information provided by the Fund Manager and that provided by the custodian. This was as a result of timing differences.	(936)	936	(936)	Management do not consider the difference to be material.
Overall impact	(936)	936	(936)	

Impact of prior year unadjusted misstatements

There were no non-trivial unadjusted misstatements reported in previous years which impact upon the 2020/21 financial statements.

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£200,092	£TBC*
Pension Fund Audit	£33,000	£33,000
Total audit fees (excluding VAT)	£228,242	£TBC*

Both PSAA and DLUHC have recognised the expanded scope of local authority audit since scale fees were published in 2017.

To offset fee increases for the 2020/21 audit, the Council has therefore been allocated additional funding of £24,900 from PSAA's distribution of its 2020 surplus, and £65,078 in additional grant funding from DLUHC – part of an overall £15m allocated to the local authority sector as a whole following a commitment made in response to the Redmond Review into Local Authority Audit and Financial Reporting.

The Pension Fund has been allocated £3,190 from PSAA's distribution of its 2020 surplus, and £8,336 from DLUHC grant funding.

*The Final Fees are TBC – as at the date of signing the auditor's report, additional fees for overruns of £20,500 have been approved by your Director of Finance and by PSAA, and £4,800 is still outstanding for approval by PSAA.

At the date of signing the auditor's report, there were invoices for £88,620 and £25,800 outstanding for payment. There was an error made in issuing the first of these invoices whereby the amount on the invoice was incorrect. We have agreed to issue a credit note for this amount and reissue a corrected invoice on provision of an updated purchase order by the Council. There is no dispute over the total fees detailed above, and your Director of Finance has confirmed agreement to these fee amounts and payment upon resolving this administrative issue.

Non-audit fees for other services	Proposed fee	Final fee
Agreed upon procedures relating to pooling of housing capital receipts	£5,000	£5,000
Agreed upon procedures relating to the Teachers' Pensions End of Year Certificate	£7,700	£7,700
Certification of Housing Benefit Subsidy Claim	£25,000	£44,000
CFO Insights Subscription	£12,500	£12,500
Total non-audit fees (excluding VAT)	**£50,200**	**£69,200**

The fees reconcile to the financial statements.

E. Audit opinion – Council

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the London Borough of Hammersmith and Fulham (the ‘Authority’) for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Director of Finance’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority’s disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast

E. Audit opinion – Council

significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

E. Audit opinion – Council

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page x, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit Committee concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risks of management override of controls and fraud in expenditure recognition. We determined that the principal risks were in relation to:

E. Audit opinion – Council

- Journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement,
- Accounting estimates made in respect of assets and liabilities in the Balance Sheet, and
- Expenditure incurred by the Authority relating to the Covid-19 pandemic, which was included on returns made to MHCLG which formed the basis of grant income and support received by the Authority.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on entries meeting the risk criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, including council dwellings and investment property, and the valuation of the net defined benefit liability;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, including council dwellings and investment property, and the valuation of the net defined benefit pensions liability.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion – Council

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for the London Borough of Hammersmith and Fulham for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

E. Audit opinion – Council

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Paul Dossett, Key Audit Partner

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

London

Date:

E. Audit opinion – Pension Fund

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report, including an emphasis of matter paragraph drawing attention to disclosures relating to the qualification of the financial statements of one of the Fund's infrastructure investment managers as at 31 December 2020, and its potential impact on the Fund's investment in the associated infrastructure fund.

Independent auditor's report to the members of London Borough of Hammersmith and Fulham on the pension fund financial statements of Hammersmith and Fulham Pension Fund.

Opinion

We have audited the financial statements of Hammersmith and Fulham Pension Fund (the 'Pension Fund') administered by London Borough of Hammersmith and Fulham (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;

have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and

- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised

E. Audit opinion – Pension Fund

2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Emphasis of Matter – legal challenge facing Aviva infrastructure investment manager

We draw attention to Note 4 of the financial statements, and the disclosure that one of the pension fund's infrastructure investment managers is facing legal challenge from a former construction contractor relating to a contractual dispute. The carrying value of the total infrastructure portfolio in the Pension Fund is £26 million. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

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

Matters on which we are required to report by exception

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

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

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- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page 18], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and

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- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Fund Account, and
  - accounting estimates made in respect of the valuation of assets and liabilities in the Net Assets Statement.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments and the IAS 26 pensions liability valuation;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team's communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of level 3 investments and the IAS 26 pensions liability valuation.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

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- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]