

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

Year ended 31 March 2023



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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 will be discussed with management and the Audit Committee.

Name: Paul Dossett
For Grant Thornton UK LLP
Date:

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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Hammersmith and Fulham Council ('the Council') and the 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 2023 for the attention of 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 work was completed through a combination of on site and remote working during October 2023 to February 2024. Our findings are summarised on pages 6 to 23. We have identified no adjustments to the Council's financial statements. We have identified no adjustments to the Pension Fund financial statements. We have identified a number of potential adjustments (numerical/accounting errors) in both sets of financial statements which are below the materiality level; we invite management to make these adjustments, but management have concluded that as they are immaterial individually and cumulatively that they would not adjust these as they would not significantly impact users understanding of the accounts. We also identified a number of misclassification and disclosure issues which were highlighted during the audit and agreed to be updated in the financial statements. Audit adjustments are detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B.

Our work is substantially complete on both the Council and Pension Fund audits and there are no matters of which we are aware that would require modification of our audit opinions [Appendix F and Appendix G] or material changes to the financial statements, subject to the following outstanding matters;

Council financial statements

- receipt of management representation letter; and
- review of the final set of financial statements to agree that all amendments agreed during the audit have been made.

Pension Fund financial statements

- receipt of management representation letter; and
- review of the final set of financial statements to agree that all amendments agreed during the audit have been made.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion for the Council will be unmodified. We were satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the General Fund use of resources. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources within the Housing Revenue Account (HRA). A significant weakness was identified in the Council's arrangements which was reported to those charged with governance on 27 November 2023 and is summarised on page 25.

Our anticipated audit report opinion for the Pension Fund will be unmodified.

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 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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to those charged with governance in November 2023. We were satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the General Fund use of resources. We identified a significant weakness in the Council's arrangements within the HRA and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of HRA resources. Our findings are summarised in the value for money arrangements section of this report (Section 3, page 24-25).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to: We have not exercised any of our additional statutory powers or duties.

- 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 expect to certify the completion of our audit work on:

- The completion of procedures required to ensure the consistency of the financial statements with the pension fund annual report
- The completion of procedures required for Whole of Government Accounts

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us to complete the 2022/23 audit in a timely manner, before the backstop date. There was a delay in signing off the Council's 2021-22 financial statements, due to the later start of the audit after delays in the 2020/21 audit, and consecutive running of the 2 audits, along with additional information coming to light following the March 2023 pension fund triennial valuation that has resulted in amendments to the financial statements and some additional audit work. This was a national rather than local issue. This has now been resolved and the 2021-22 audit has been reported to Audit Committee and the opinion was signed on 22 February 2024.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. We are satisfied from our VFM and audit work that this has been well managed by the Council. In reality the Council has one of the lowest levels of unsupported borrowing in London.

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 will be discussed with management and the Audit Committee].

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 September 2023.

Conclusion

We have substantially completed our audit of the Council and Pension Fund financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinions following the Audit Committee meeting on 11 March 2024, as detailed in Appendix F and Appendix G. These outstanding items include:

- Completion of senior management review of the completed audit work
- Receipt of management representation letter; and
- Review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by 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.

Financial Statement materiality for the Council and Pension Fund audits has increased since our audit plan was reported in September 2023. The Council's materiality continued to use the same benchmark of 1.5% of gross expenditure and was increased to reflect higher gross expenditure in the draft financial statements.

The Pension fund materiality was increased due to a change in the benchmark applied that increased from 0.95% to 1.5% of net assets. We have also introduced a separate Fund materiality in 2022/23 for the first time.

We set out in this table our determination of materiality for the Council and Pension Fund.

	Council Amount (£)	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	11,100,000	19,300,000	
Materiality for the Fund Account	-	6,300,000	
Performance materiality	7,700,000	9,375,000	
Trivial matters	600,000	625,000	
Materiality for senior officers' remuneration and key management personnel disclosures	100,000		- There is a 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.

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Management override of controls</p> <p>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.</p> <p>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.</p>	<p>Council and Pension Fund</p>	<p>We have:</p> <ul style="list-style-type: none"> • 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; • For the Pension Fund audit, gained an understanding of the accounting estimates and critical judgements applied by management in the financial statements; • For the Council audit, gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence with a special focus on accounting provisions in the General Fund and Collection Fund and accounting between the General Fund and the Housing Revenue Account; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>In prior year audits we have identified that there is no two-stage authorisation process for journal entries in place. We have made recommendations in our Audit Findings Reports for the audits of 2020/21, 2021/22 and now 2022/23. Our audits to date have not identified any material misstatements or instances of management override of controls from our testing of journal entries. However, we do not test every journal and there may be undetected fraud or error. We have retained the control recommendation for improvement related to two-stage authorisation in the Action Plan at Appendix B. We note that the Council has designed compensatory local controls (the general ledger system being managed by Hampshire Council as service provider) to effect a second stage authorisation which is outside the general ledger IT system. We have retained this recommendation as a best practice IT control to evidence segregation of duties.</p> <p>We have not identified any issues arising from our work on the significant risk of management override of controls.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>ISA240 fraudulent revenue recognition (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Council and Pension Fund	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
<p>Fraud in expenditure recognition (rebutted)</p> <p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"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".</p> <p>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.</p>	Council and Pension Fund	<p>As reported in our Audit Plan, we also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We have considered the risk factors in Practice Note 10 as they apply to the Council and Pension Fund expenditure streams.</p> <p>We were satisfied that this does not present a significant risk of material misstatement in the 2022/23 accounts as:</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. <p>Therefore, at the planning stage we did not consider this to be a significant risk at 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.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Valuation of land and buildings</p> <p>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 land and buildings, and £85m investment property at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management engaged the services of a valuer to estimate the current value as at 31 March 2023.</p> <p>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. This significant risk is particularly focused on the valuers' key assumptions and inputs to the valuations as these are the greatest sources of estimation uncertainty/sensitivity.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> • 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 of Land and Buildings (including council dwellings); • Used our valuer to evaluate the appropriateness of obsolescence factors and rental yields, for the £85.5m 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. <p>We have not identified any issues arising from our work on the significant risk of the valuation of land and buildings.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Valuation of the pension fund net liability – assumptions applied by the professional actuary in their calculation</p> <p>The Authority'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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (approximately £89.9 million in the Authority's balance sheet at the 31 March 2023) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.</p> <p>We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we would reconsider this if it becomes apparent at the year-end that there have been significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> 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. <p>Our audit plan identified the requirement for work to be performed on the triennial valuation as at 31 March 2022 to allow us to gain assurance on the completeness and accuracy of the data/information provided to the actuary for the valuation which forms the basis of the valuation of the liability in the Council accounts. As the valuation was finalised before the 2021/22 audit had completed, we requested that the Council obtained an updated IAS19 valuation based on the triennial valuation and the updated membership data. As this provided a material increase to the pension fund liability, the work planned for the 2022/23 audit was completed as part of the 2021/22 audit. We were satisfied from our testing of the updated membership data that it was complete and accurate, and we were also satisfied from our work and challenge (including use of an auditor's expert actuary) that the assumptions used in the triennial valuation are reasonable.</p> <p>We have not identified any issues arising from our work on the significant risk of the pension fund net liability.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Valuation of Level 3 Investments</p> <p>The Fund revalues 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.</p> <p>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 and the sensitivity of this estimate to changes in key assumptions</p> <p>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.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2023.</p>	Pension Fund	<p>We have:</p> <ul style="list-style-type: none"> • fund managed an understanding of the Fund’s process for valuing level 3 investments and evaluated the design of the associated controls; • 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 are met; • considered the competence, expertise and objectivity of any management experts used; • reviewed the qualification of the expert used to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached; and • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period. <p>During the testing performed, we identified variances totalling £3.201m between the value of the Level 3 Investments included within the Accounts and the year-end confirmations received from the relevant Fund Managers. These variances were due to the Fund Managers valuations considering more up to date information relating to the value as at 31 March 2023 than was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the Accounts, and these variances have been reported as an unadjusted misstatement later in the Report. This is consistent with prior year, due to timing of the statements and the production of the accounts.</p> <p>We have not identified any issues arising from our work on the significant risk of the pension fund’s valuation of level 3 investments.</p>

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Minimum Revenue Provision</p> <p>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.</p> <p>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.</p> <p>MRP represents one of the few elements of capital financing in local authority financial statements which is a true charge to useable reserves, and therefore over time has the potential to have a significant impact on the Council's longer term financial sustainability.</p> <p>As a result of findings across the sector as a whole whereby MRP has been miscalculated or not calculated in accordance with the statutory guidance, we have identified this as a risk requiring specific audit attention.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> Understood and documented the Council's current policy for calculating the MRP charge for the year and evaluated whether this is in accordance with the statutory guidance; Confirmed that the MRP policy has been appropriately understood and approved by Council's members; and Substantively tested the inputs into the MRP calculation back to supporting evidence and the financial statements. Formed a judgement that MRP provision made by the Council is prudent and in compliance with DLUHC/CIPFA requirements. <p>We have not identified any issues arising from our work on the Minimum Revenue Provision.</p>
<p>Breach of the HRA ringfence</p> <p>The Housing Revenue Account (HRA) should be self-financing. The HRA is strictly ringfenced to ensure that expenditure on maintaining dwellings and managing tenancies is balanced by rents charged to tenants and that rents cannot be subsidised by council tax or vice versa.</p> <p>As a result of findings across the sector as a whole whereby there were transactions which breached the HRA ringfence either intentionally or otherwise, we have identified this as a risk requiring specific audit attention.</p>	Council	<p>We have:</p> <ul style="list-style-type: none"> Specifically identified and tested any unusual journals which impact the HRA and General Fund in unexpected transactions; and Tailored into our existing work programmes across expenditure, income and balance sheet substantive testing, additional procedures to confirm that the impact of the transaction on the General Fund or HRA is corroborated by the evidence and substance of the underlying transaction. <p>We have not identified any issues arising from our work on the Housing Revenue Account ringfence</p>

2. Financial Statements: key judgements and estimates

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
<p>Land and Building valuations – £339.4m</p> <p>Investment properties – £85.5m</p>	<p>Other land and buildings comprises £262m 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 (£57.8m) 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 2022 on a five yearly cyclical basis. 98.5% of total land and buildings assets were revalued during 2022/23.</p> <p>Management have considered the year end value of properties which were not revalued as at 31 March 2022 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 2022.</p> <p>The total year end valuation of land and buildings was £339.4m, a net increase of £4.3m from 2021/22 (£335.1m).</p> <p>Investment properties comprising £85.5m of assets (garages, car parks and retail units predominantly) are required to be valued at fair valuer at the year end. The valuer has based the revaluation movements for the Council's investment portfolio on capitalising the rental income by an appropriate yield, which is referred to as the 'investment method'. The rental income was provided to the Valuer and the yields adopted were based on comparables and the valuer's opinion of value in relation to the variety of investments assets.</p>	<ul style="list-style-type: none"> 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, EUV for non-specialised properties and FV for investment properties. 98.5% of properties have been valued as at 31 March 2023. 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. We have considered the Council's response to recent findings about RAAC (Reinforced Autoclaved Aerated Concrete) and whether its presence would cause a material misstatement to the value of their land and buildings. <p>No significant findings were identified from our audit of the accounting estimate relating to valuation of Land and Buildings.</p>	<p>Light Purple</p>

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
Net pension liability - £89.9m	The Council's total net pension liability at 31 March 2023 is £89.9m (PY £447.1m) 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.	<ul style="list-style-type: none"> 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 2022/23 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 our comparison of actuarial assumptions: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC Range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.00%</td> <td>2.95% - 3.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.00%</td> <td>1.00% above CPI</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.8 / 22.8</td> <td rowspan="2">PwC state the actuary's approach gives a reasonable best estimate life expectancy (by use of Club Vita table)</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>24.5 / 25.8</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> 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 2022/23 to the valuation method. Our work confirms that the decrease in the IAS 19 estimate is reasonable. <p>No significant findings were identified from our audit of the accounting estimate relating to valuation of the net pension liability.</p>	Assumption	Actuary Value	PwC Range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	3.00%	2.95% - 3.00%	●	Salary growth	4.00%	1.00% above CPI	●	Life expectancy – Males currently aged 45/65	21.8 / 22.8	PwC state the actuary's approach gives a reasonable best estimate life expectancy (by use of Club Vita table)	●	Life expectancy – Females currently aged 45/65	24.5 / 25.8	●	Light Purple
Assumption	Actuary Value	PwC Range	Assessment																							
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Salary growth	4.00%	1.00% above CPI	●																							
Life expectancy – Males currently aged 45/65	21.8 / 22.8	PwC state the actuary's approach gives a reasonable best estimate life expectancy (by use of Club Vita table)	●																							
Life expectancy – Females currently aged 45/65	24.5 / 25.8		●																							

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
Net pension liability - £89.9m		<ul style="list-style-type: none"> We have assessed the actuary, Hymans Robertson, 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 2022/23 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 our comparison of actuarial assumptions: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value HR</th> <th>PwC Range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.80%</td> <td>4.8 – 4.85%%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>2.65% - 2.95%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>1.00% above CPI</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>20.5 / 21.3</td> <td rowspan="2">PwC state the actuary approach gives a reasonable best estimate life expectancy (by use of Club Vita table)</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>23.6 / 26.1</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> 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 2022/23 to the valuation method. Our work confirms that the decrease in the IAS 19 estimate is reasonable. <p>No significant findings were identified from our audit of the accounting estimate relating to valuation of the net pension liability of the London Pension Fund Authority as determined by Hymans Robertson.</p>	Assumption	Actuary Value HR	PwC Range	Assessment	Discount rate	4.80%	4.8 – 4.85%%	●	Pension increase rate	2.90%	2.65% - 2.95%	●	Salary growth	3.90%	1.00% above CPI	●	Life expectancy – Males currently aged 45/65	20.5 / 21.3	PwC state the actuary approach gives a reasonable best estimate life expectancy (by use of Club Vita table)	●	Life expectancy – Males currently aged 45/65	23.6 / 26.1	●	Light Purple
Assumption	Actuary Value HR	PwC Range	Assessment																							
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Salary growth	3.90%	1.00% above CPI	●																							
Life expectancy – Males currently aged 45/65	20.5 / 21.3	PwC state the actuary approach gives a reasonable best estimate life expectancy (by use of Club Vita table)	●																							
Life expectancy – Males currently aged 45/65	23.6 / 26.1		●																							

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings valuation – Council housing - £1,460.0m	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 £1,460.0m, a net decrease of £14.4m from 2022/23 (£1,474.4m).	<ul style="list-style-type: none"> We have assessed management's expert, Wilks, Head and Eve, to be competent, capable and objective We have assessed the methods and assumptions used by the valuer in the estimate. We have selected a sample of the beacons to test the appropriateness of the beacon within the archetype property class and then to test the revalued amount to comparable property sales/marketed properties to assess whether the valuation movement was reasonable. Reviewed those beacons/archetype groups which were not revalued in the year to assess whether the properties were still held at an appropriate/materially correct valuation. Challenged the valuer assumptions employed. 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 2023 <p>No significant findings were identified from our audit of the accounting estimate relating to valuation of Council Housing.</p>	Light Purple
Provision for NNDR appeals - £10.9m	The Council is responsible for repaying a proportion of successful rateable value appeals. In 2022/23, 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.	<ul style="list-style-type: none"> 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

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision -	<p>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.</p> <p>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.</p> <p>The year end MRP charge was £2.2m, a net increase of £0.2m from 2021/22 (£2m).</p>	<ul style="list-style-type: none"> 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 2021. there have been no changes to the Council's MRP policy since 2021/22 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. The Council has considerably lower General Fund borrowing than many comparable sized councils and its MRP reflects that context. 	Light Purple

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Pension Fund Level 3 Investments - £186.4m	<p>The Pension Fund has Level 3 investments in private equity funds that in total are valued on the net assets statement as at 31 March 2023 at £186m.</p> <p>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. Valuations are based on forward looking estimates by the investment managers using the International Private Equity and Venture Capital Guidelines, which follow the valuation principles of IFRS.</p> <p>The value of the investment has increased by £55m in 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 at the closest date to 31 March 2023; assessed the consistency of the estimate against peers and industry practice; reviewed the reasonableness of the increase in the estimate; and assessed the adequacy of disclosure of estimate in the financial statements. <p>During the testing performed, we identified variances totalling £3.201m between the value of the Level 3 Investments included within the Accounts and the year-end confirmations received from the relevant Fund Managers. These variances were due to the Fund Managers valuations considering more up to date information relating to the value as at 31 March 2023 than was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the Accounts, and these variances have been reported as an unadjusted misstatement later in the Report. This is consistent with prior year, due to timing of the statements and the production of the accounts.</p>	Light Purple
		Our audit procedures in this area are substantially complete, with no issues arising to date.	

Assessment

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2. Financial Statements: key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Pension Fund Level 2 Investments - £1,073.9m	<p>The Pension Fund has Level 3 investments in private equity funds that in total are valued on the net assets statement as at 31 March 2023 at £186m.</p> <p>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. Valuations are based on forward looking estimates by the investment managers using the International Private Equity and Venture Capital Guidelines, which follow the valuation principles of IFRS.</p> <p>The value of the investment has decreased by £82m in 2022/23, largely driven by changes in market value.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 at the closest date to 31 March 2023; assessed the consistency of the estimate against peers and industry practice; reviewed the reasonableness of the increase in the estimate; and assessed the adequacy of disclosure of estimate in the financial statements. <p>Our audit procedures in this area are substantially complete, with no issues arising to date.</p>	Light Purple

Assessment





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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
SAP Covering general ledger, accounts payable, accounts receivable and payroll	ITGC assessment (design and implementation effectiveness only) ISAE3402 Report Review					Management override of controls – no issues arising

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

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 the 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 the Pension Fund in advance of the finalisation of the audit and the issue of our audit opinions on the financial statements.
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.
Significant difficulties	We encountered no significant difficulties during the Council and Pension Fund audits. Officers and the audit team have worked collaboratively to progress the audit in a shorter timeframe than the two prior years.

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	<p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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. <p>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 meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the Pension Fund and the environment in which they operate 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. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> 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 Council and Pension Fund financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception - Council	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • 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 a significant weakness. <p>As set out on pages 24-26, we have identified and reported a significant weakness in respect of arrangements to secure value for money. We have nothing further to report on these matters.</p>
Matters on which we report by exception – Pension Fund	<p>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.</p> <p>We propose to issue our ‘consistency’ opinion on the Pension Fund Annual Report on the same day we give our audit opinion, subject to review of the final version of this report.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>We note that work is not required as the Council does not exceed the threshold;</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of the London Borough of Hammersmith and Fulham Council in the audit report, as detailed in Appendix F and G.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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.



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

3. VFM - our procedures and conclusions

We have completed our VFM work and our Auditor's Annual Report, covering both the 2021/22 and 2022/23 financial years was communicated to the Audit Committee as those charged with governance on 27 November 2023. Our findings are summarised in the table below. We identified a cross-cutting significant weakness in Housing (the Housing Revenue Account and service performance) which impacted the VFM themes Financial Sustainability (the financial sustainability of the Housing Revenue Account where reserves have been eroded significantly) and Improving Economy, Efficiency and Effectiveness (where the Council has not met the minimum service standard during 2021/22 and 2022/23 years, and the Housing Ombudsman has found Hammersmith and Fulham to be the worst performing landlord in the country with regard to its damp and mould in properties). We have made 2 key recommendations in our Auditor's Annual Report related to these issues.

Criteria	2021/22	Direction of travel	2022/23	Auditor Judgement
Financial sustainability <i>(excluding the Housing Revenue Account)</i>				Generally appropriate arrangements in place with regard to financial sustainability but two improvement recommendations made with regard to savings identification, development and reporting and the capital programme. The Council enjoyed strong performance in 2021/22 and 2022/23. The medium-term financial forecast indicates a challenging position in common with much of local government with regard to savings identification and potential use of reserves. <i>This is excluding the position on the financial sustainability of the Housing Revenue Account (HRA).</i>
Governance				No significant weaknesses in arrangements identified, but three improvement recommendations made relating to risk management, Audit Committee arrangements and the monitoring of Council-owned companies.
Improving economy, efficiency and effectiveness <i>(excluding the service performance in Housing)</i>				Generally sufficient arrangements in place with regard to improving economy, efficiency and effectiveness but two improvement recommendations made. The Council has performed well in key service areas and can point to a number of successes during 2021/22 and 2022/23. <i>This is excluding the service performance in Housing.</i>
Financial sustainability and Improving economy, efficiency and effectiveness Cross-cutting weakness				Significant weakness in Housing (HRA and service performance) Impacting VfM themes: <ul style="list-style-type: none"> ✓ Financial sustainability ✓ Improving economy, efficiency and effectiveness Significant weakness identified in Housing relating to (1) the financial sustainability of the Housing Revenue Account (HRA) and (2) the service performance in Housing. We have issued two key recommendations. The nature of the significant weakness and the key recommendation against that weakness has been fully set out and communicated in our Auditor's Annual Report which was taken to the Audit Committee meeting on 27 November 2023.

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 and consider that an objective reasonable and informed third party would take the same view. 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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 [Grant Thornton International Transparency report 2023](#).

5. 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 as being provided for the 2022/23 financial year. We have set these out below, as well as 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 £218,106 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 £218,106 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)	43,000 (indicative fee, to be finalised)	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 £43,000 in comparison to the total fee for the audit of £218,106 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. Note that this fee is still TBC.

5. Independence and ethics

Service	Fees £	Threats identified	Safeguards
Audit related			
CFO Insights Subscription (Council)	12,500	Self-Interest (because this is a recurring fee)	<p>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 £218,106 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.</p> <p>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.</p>

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

None of the services provided are subject to contingent fees.

5. Independence and ethics

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 Council and Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council and Pension Fund
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council or Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council and Pension Fund
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, any Council Members, senior management or staff

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 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

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Follow up of prior year recommendations

We identified the following issues in the audit of the London Borough of Hammersmith and Fulham Council's 2021/22 and 2020/21 financial statements. The 2022/23 Audit Findings Report was agreed with management and presented to those charged with governance in November 2023. As such, there has been limited progress on the findings, that we will continue to follow up on as part of our 2022/23 audit. We have provided commentary on actions taken to address the issue and on whether the issue has arisen in the 2022/23 audit.

Assessment	Issue and risk previously communicated	Recommendation made and response	Update on actions taken to address the issue
X	<p>Bank reconciliation issues</p> <p>In our review of bank reconciliations to gain assurance over cash and cash equivalents we identified that for some school bank reconciliations the unreconciled figures incorrectly included April transactions.</p> <p>This issue was consistent in the 2022/23 audit.</p>	<p>We would recommend that the school bank reconciliation process is reviewed to ensure that they are accurate and reflect transactions from only the correct accounting period.</p> <p>Management response</p> <p>Agreed.</p>	<p>Raised as part of 2021/22 audit, and ongoing in the 2022/23 financial year.</p>
X	<p>Bank reconciliation issues</p> <p>In our review of the council's bank reconciliation to gain assurance over cash and cash equivalents we also found that a supplementary reconciliation was required to reconcile the core bank reconciliation to the closing Trial Balance. We were able to gain sufficient assurance that there was no significant issue which would lead to misstatement of the cash and bank balance in the general ledger and accounts but the bank reconciliation is a fundamental one, and we would recommend that this process is reviewed.</p> <p>This issue was consistent in the 2022/23 audit.</p>	<p>We would recommend for audit purposes, that the bank reconciliation provided should be the one that reconciles the amount in the closing TB to the bank statement as at 31/03/2023.</p> <p>Management response</p> <p>Agreed – the final bank reconciliation for the year is undertaken in two stages to allow for the accrual of the final income manager interface file for the year (which takes place after the completion of the core bank reconciliation). We will investigate opportunities to simplify this process and endeavour to produce a single, consolidated year-end bank reconciliation.</p>	<p>Raised as part of 2021/22 audit, and ongoing in the 2022/23 financial year.</p>
X	<p>Missing Bank Account within Cash and Cash Equivalent Balance</p> <p>Upon reviewing the completeness of the bank account, it was noted that 1 bank account amounting to £12k was not included in the Council's bank balance as at year end. Upon discussion with management with regards to the business process in ensuring the completeness of the bank accounts of the Council, it was noted that a review of the completeness of bank accounts held by the Council is not regularly undertaken.</p> <p>The account was used for funeral payments and emergency funds for residents referred to the Client Affairs (Social Care) service, and deposit money found from property searches and should have been included in the Council's cash balance.</p> <p>This issue was consistent in the 2022/23 audit. There were 3 such accounts amounting to 14k in 22/23.</p>	<p>We recommend that the completeness of the bank accounts are performed annually to avoid omission of bank balance.</p> <p>Management response</p> <p>Agreed.</p>	<p>Raised as part of 2021/22 audit, and ongoing in the 2022/23 financial year.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Recommendation made and response	Update on actions taken to address the issue
X	<p>Housing Benefit Expenditure Reconciliation Issues</p> <p>Whilst performing reconciliation of the year end Housing Benefit expenditure from the HB system to GL, there has been a variance of noted. As discussed with the Council, the variance is due to the timing difference as the data interfaced through 2 systems (Academy to NEC and NEC to SAP) which will contra out the following week as and when the specific cycle of interfaces complete the full interface circle.</p> <p>This transaction creates uncertainty on the completeness and may lead to potential misstatement of the Housing Benefit expenditure. This issue was consistent in the 2022/23 audit.</p>	<p>We recommend that the reconciliation between HB system and GL is completed each year, in order to keep a full audit trail. Also, that the underlying listings for the HB system including reliefs and exemptions, are retained as evidence for the system reconciliations and for sampling for the system at year end audit fieldwork.</p> <p>Management response</p> <p>Agreed</p>	<p>Raised as part of 2021/22 audit, and ongoing in the 2022/23 financial year.</p>
X	<p>Journal entries control environment</p> <p>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.</p> <p>This issue was consistent in the 2022/23 audit.</p>	<p>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.</p> <p>Management response</p> <p>Agreed – management will investigate the possibilities and implement as necessary an offline two-stage approval mechanism.</p>	<p>In addition to a notification via email, users are alerted via a Teams notification, informing them of the need to approve a journal. An automated two stage approach within the system will continue to be reviewed in partnership with our finance system provider.</p>
X	<p>Accurate recording of grants and contributions received in advance</p> <p>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.</p> <p>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.</p> <p>We didn't find any issues or errors in our grants and contributions sample testing during the 2022/23 audit, but we note that the review is ongoing.</p>	<p>Management should implement a more comprehensive review process to ensure that grants and contributions received in advance are classified and accounted for appropriately.</p> <p>Management response</p> <p>Agreed – the grants process and contributions process will be reviewed.</p>	<p>The Council's Grant Register is now under review and enhancements will be made as necessary to limit the risk of misclassification of grants.</p>

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Recommendation made and response	Update on actions taken to address the issue
X	<p>Legacy balances brought forward in debtors and creditors listings provided to audit</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>Management response</p> <p>Agreed – a housekeeping exercise will be undertaken.</p>	<p>The first phase of the housekeeping exercise has been undertaken; this will now become a regular process as part of quarterly and year-end closing exercises.</p> <p>We identified some issues in our debtors testing which indicated that there are still some issues with legacy and older debtor balances which are not likely to be recoverable (including in collection fund debtors). We were satisfied from our testing of the expected credit loss/provision against debtors that this would not lead to any significant misstatement of the net debtor balance, but our view is that older unrecoverable gross debtors should be written out of the debtor ledger through regular housekeeping review.</p>
X	<p>Employee leaver forms</p> <p>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.</p> <p>This was an issue identified during the 2020/21 and 2021/22 audits and which was observed consistently during the 2022/23 audit. Whilst we are satisfied that this has not given rise to a material error in the 2022/23 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.</p>	<p>Management should put into place procedures ensure that processes and controls around employee leavers are consistently applied.</p> <p>Management response</p> <p>Agreed.</p>	<p>A review of this recommendation is ongoing</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

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

The set of financial statements presented for audit included group accounts where West King Street Renewal LLP had been incorrectly treated as a subsidiary of the Council. Following discussion with management, the group accounts disclosures have been removed and West King Street Renewal LLP has been correctly accounted for as an investment.

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.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Cashflow Statement Other receipts from investing activities amended from £38,483k to £45,975k	Management have agreed to amend the disclosure note	✓
Note 25 – Officer’s Remuneration Draft accounts included the salary earned for the full financial year by the incoming S151 Officer, not just the amount relating to their role as S151 officer.	Management have agreed to amend the disclosure note	✓
Note 21- Financial Instruments The following disclosure amendments have been made: <ul style="list-style-type: none"> Long-term investments balance amended from £195k to £295k Trade overdraft amended from £8,986k to £0 Cash and cash equivalents amended from £151,610k to £142,624k Fair value of loans amended from £255,562k to £225,562k Short term debtors balance amended from £25,865k to £27,872k Short term creditors balance amended from £100,178k to £67,735k 	Management have agreed to amend the disclosure note	✓
Note 27 – Defined Benefit Schemes Net remeasurement of assets/(defined liability) amended from (£427,772) to (£427,534) to incorporate the impact of the application of the pension asset ceiling for LPFA	Management have agreed to amend the disclosure note	✓
Note 31 – Related Parties Draft accounts included three related parties that did not meet the IAS24 requirements and should therefore not have been disclosed.	Management have agreed to amend the disclosure note	✓
Note 33 – Interest in Companies Two council subsidiaries have been declared dormant or dissolved during the 2022/23 year which was not noted in the disclosure note	Management have agreed to amend the disclosure note	✓
Note 23 – External Audit Costs The disclosure of external audit costs was updated (from £144k to £231k) to agree to the proposed fee per the plan. Note that there are further revisions to the final audit fee contained in this report Appendix D.	Management have agreed to amend the disclosure note	✓

C. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Reason for not adjusting
<p><u>Provision overstatement</u></p> <p>One of the provisions we tested was considered to be overstated by £970k.</p>	(970)	970	(970)	This is an immaterial change to the provision, adjusting the accounts would not materially change the financial position
<p><u>Unrecorded liabilities</u></p> <p>Audit testing identified a number of 2022/23 payments made through the bank account that had not been accrued for in the 2022/23 financial statements. The potential error has been extrapolated</p>	1,262	(1,262)	1,262	This was an immaterial projected misstatement therefore not appropriate for management to adjust the financial statements for but gives assurance that those accounts areas are not materially misstated based on the errors found in our testing.
<p><u>Other expenditure</u></p> <p>Audit testing identified a number of 2021/22 items of expenditure that should have been accrued for, but were not, hence were recorded in 2022/23, overstating the 2022/23 expenditure. The potential error has been extrapolated.</p>	(959)	959	(959)	This was an immaterial projected misstatement therefore not appropriate for management to adjust the financial statements for but gives assurance that those accounts areas are not materially misstated based on the errors found in our testing.
Overall impact	(667)	667	(667)	

C. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Reason for not adjusting
<p>Collection Fund – Safety Net</p> <p>During the budgeting process for the Collection Fund it was estimated that the outturn would result in the council being in the safety net position. At the year end the outturn position was different, requiring the repayment of grant monies. The credit required to repay this grant was held in the Collection Fund smoothing reserve and should, instead, have been held as a creditor. This would have no impact on the surplus/deficit or General Fund, as it is a balance sheet classification issue.</p>	Nil	3,900	Nil	Management consider this to be a presentational issue with no net impact on the general fund balance. It has been corrected-for through the 2022/23 accounts.
		Collection Fund Smoothing Reserve (3,900)		
		Creditors		
<p>Additions relating to the 20/21 Financial Year</p> <p>Within the sample testing aspect of additions work there were both factual and extrapolated errors. These were additions items that should have been accounted for within the 20/21 financial year, however, were instead accounted for in 21/22.</p>	Nil	2,500	Nil	This adjustment is not material, therefore not appropriate for a Prior Period Adjustment. We would not propose an extrapolated error for adjustment in the statements, but this gives assurance that those accounts areas are not materially misstated based on the errors found in our testing.
		Additions SOA 20/21 (2,500)		
		Additions SOA 21/22		
<p>22/23 Expenditure in 21/22 Accounts</p> <p>An item was found within the 21/22 Expenditure Population that related to Expenditure incurred in relation to 22/23 financial year. This error was isolated to the year-end population, due to its nature and a projected error of an overstatement of expenditure and understatement of prepayments of £4,154,185.58, was calculated accordingly.</p>	(4,100)	4,100	(4,100)	This was an immaterial projected misstatement therefore not appropriate for management to adjust the financial statements for but gives assurance that those accounts areas are not materially misstated based on the errors found in our testing.
	Expenditure	Prepayments		
<p>Expenditure Completeness</p> <p>During the invoice and bank completeness testing a projected error was calculated in relation to 5 failed sample items whereby an accrual should have been completed in the 21/22 Year but was not. The extent of this error has been projected to £3.6m of expenditure that was not accrued for within the closedown process.</p>	£3.6m (Expenditure)	(£3.6m) (Creditors)	£3.6m	This was an immaterial projected misstatement therefore not appropriate for management to adjust the financial statements for. We would not propose an extrapolated error for adjustment in the statements, but this gives assurance that those accounts areas are not materially misstated based on the errors found in our testing.
Overall impact	(£0.5m)	(£2m)	(£0.5m)	

C. Audit Adjustments - Pension Fund

Impact of adjusted misstatements

No non-trivial misstatements have been identified in the financial statements, which management has adjusted for.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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.

Detail	Fund Account £'000	Net Assets Statement £'000	Impact on total net assets	Reason for not adjusting
Triangulation testing of investments	3,201	(3,201)	£3.2m increase	Management do not consider the difference to be material.
In our triangulation testing of investments the Abrdn MSPC Level 3 investment was understated in value by £3.2m. This was due to timing differences in the availability of valuation information from the Fund Manager.	Change in market value	Investment assets		
Allocation of contributions	796	Nil	Nil	Management do not consider the difference to be material.
Audit testing identified that £796k of deficit recovery contributions had been incorrectly classified as employee contributions. This has no impact on the total contribution payments.	[796]			
	Employee contributions			
Overall impact	3,201	(3,201)	3,201	

C. Audit Adjustments - Pension Fund

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.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
During our substantive testing, we found that the fund manager classified "Abrdn MSPC" as a level 2 investment, but fund manager classified this investment under level 3 and we were unable to trace the unit price from external source, which led us to conclude that the investment should be classified as level 3 investment rather than level 2 investment. We recommended client to classify this investment under Level 3 rather than Level 2 investment.	Management have agreed to amend the disclosure note	✓

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Fund Account £'000	Net Assets Statement £'000	Impact on total net expenditure £'000	Reason for not adjusting
Triangulation testing of investments In our triangulation testing of investments the Partners Group – Infrastructure investment was understated in value by £1.73m. This was due to timing differences in the availability of valuation information from the Fund Manager.	(1,730)	1,730	(1,730)	Management do not consider the difference to be material.
Triangulation testing of investments In our triangulation testing of investments the ABRDN MSPC and LGIM - MSCI Low Carbon (Passive) investment was overstated in value by £1.74m. This was due to timing differences in the availability of valuation information from the Fund Manager.	1,740	(1,740)	1,740	Management do not consider the difference to be material.
Overall impact	10	(10)	10	

D. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	144,367	22,420
Reduced materiality	5,625	-
Group consideration – additional work around the consideration and review of group entities, and the joint venture and the valuation of investment	4,000	-
Additional work due to the triennial pension valuation	5,000	5,000
Value for Money audit – new NAO requirements	20,000	-
PPE valuation expert	7,364	-
ISA 540	6,000	3,600
Additional journals testing	3,000	2,000
Quality review – response to FRC (additional file review)	1,500	-
ISA 315 additional work – see page 21	5,000	3,000
Payroll – additional change of circumstance testing (expansion of the remit of payroll testing to cover changes in circumstances in more detail as a response to audit quality points raised in FRC reviews).	500	500
Collection Fund – additional testing of reliefs (expansion of the remit of collection fund testing to cover further testing of reliefs in more detail as a response to audit quality points raised in FRC reviews).	750	-
Investment valuation work – additional focus on Level 3 valuation	-	5,036
Additional fee overruns – continuing consecutive running of the 2021/22 audit due to previous delays requiring additional audit team time input	5,000	3,000
Remote working	10,000	5,000
Council Audit	218,106	49,556
Total audit fees (excluding VAT)	£218,106	£49,556

D. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee Note 1
Council Audit	£231,117	£218,106
Pension Fund Audit	£47,750	£49,556
Total audit fees (excluding VAT)	£278,867	£267,662
Non-audit fees for other services	Proposed fee	Final fee
Agreed upon procedures relating to pooling of housing capital receipts	£7,500	£7,500
Agreed upon procedures relating to the Teachers' Pensions End of Year Certificate	£7,500	£7,500
Certification of Housing Benefit Subsidy Claim	£43,000 (indicative)	£TBC
CFO Insights Subscription	£12,500	£12,500
Total non-audit fees (excluding VAT)	£60,125	£60,125

Note 1 – note that our fee in our audit plan was proposed prior to completing the 21/22 audit and estimated through inputs used in that audit which were high due to some delays and technical/national issues encountered. We have since reviewed the fee elements and more granular way and this has led to the difference to the final fee.

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

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

F. 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 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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 2022/23 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 2022) on the application of ISA (UK) 570 Going Concern to public sector entities.

F. Audit opinion - Council

We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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.

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 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.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Director of Finance is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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, 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.

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [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 2022/23, 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.

F. Audit opinion - Council

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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and the potential for management bias in determining accounting estimates for the valuation of land and buildings and the valuation of the defined benefit liability. We determined that the principal risks were in relation to:

- the propensity of external reporting pressures to exert influence on management's approach to the use of large and unusual manual journal entries;
- journal entries which impacted the general fund and housing revenue account which might manipulate the financial position of the housing revenue account;
- potential management bias in determining material accounting estimates which were subject to significant management judgement, a high level of estimation uncertainty and high sensitivity to small changes in assumptions.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on 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 defined benefit pension liability, and
- 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.

F. Audit opinion – Council

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including significant accounting estimates related to land and building valuations and accruals. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our 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.

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.

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 2023.

We have nothing to report in respect of the above matter, except on 27 November 2023 we identified a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to the Authority's arrangements for managing and maintaining the ongoing financial sustainability of the Housing Revenue Account, and the Authority's arrangements for ensuring that the service performance in provision of housing meets the minimum core service standard. We recommended that:

- the Authority take immediate action to ensure that the Housing Revenue Account is returned to an operating surplus position and to increase the general reserves in the Housing Revenue Account;
- the Authority undertake a comprehensive exercise to improve the quality of stock condition survey data;
- the Authority continue its improvement journey with the operational performance of its housing service to ensure that it is meeting a minimum core service standard.

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.

F. Audit opinion – Council

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 January 2023. 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 – Audit certificate

We certify that we have completed the audit of the London Borough of Hammersmith and Fulham for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 44 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

G. Audit opinion – Pension Fund

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

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

Opinion on financial statements

We have audited the financial statements of the Hammersmith and Fulham Pension Fund (the 'Pension Fund') administered by the London Borough of Hammersmith and Fulham (the 'Authority') for the year ended 31 March 2023, 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 2022/23.

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 2023 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 2022/23; 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 2022/23 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 2022) on the application of ISA (UK) 570 Going Concern to public sector entities.

G. Audit opinion – Pension Fund

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.

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.

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.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Director of Finance is responsible for the other information. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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, 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
- 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.

G. Audit opinion – Pension Fund

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [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 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Services 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
- 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 Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's 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:

- The propensity of external reporting pressures to exert influence on management's approach to recognition of transactions in the Fund Account; 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
- potential management bias in determining accounting estimates made in respect of the valuation of assets and liabilities in the Net Assets Statement

G. Audit opinion – Pension Fund

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management 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 Level 3 investments, and
- 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our 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.
- 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.

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.

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 44 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



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