

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

Year ended 31 March 2024

6 November 2024





**Private and
Confidential**

London Borough of Hammersmith and Fulham Pension Fund
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6 November 2024

Dear Members of the Audit Committee

Audit Findings Report for the London Borough of Hammersmith and Fulham Pension Fund for the year ended 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Matt Dean

Director
For Grant Thornton UK LLP

Chartered Accountants

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

Matt Dean
For Grant Thornton UK LLP
November 2024

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 Pension Fund 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 London Borough of Hammersmith and Fulham Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 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 Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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.

Our audit work was completed via a hybrid approach during July to October 2024. Our findings are summarised on pages 6 to 19.

We have not identified any adjustments impacting on the Pension Fund's financial position. We have identified some presentational amendments, and these are detailed in Appendix C.

We have also identified some recommendations for management, which are documented within the Action Plan attached at Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion at Appendix E or material changes to the financial statements, subject to the following outstanding matters;

- receipt and review of outstanding evidence to enable us to complete our work on benefits payable and contributions;
- review of the Pension Fund Annual report;
- completion of senior management reviews and any outstanding queries that could arise from this process;
- receipt of managements letter of representation; and
- review of the final set of amended financial statements.

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

Our anticipated opinion on the financial statements will be unmodified.

We are required to give a separate opinion on the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to the statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2024. We have therefore not given this separate opinion at this time. We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until their work on Whole of Government Accounts and our work on the Annual Report has been completed.

2. Financial Statements

Overview of the scope of our audit

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

For the London Borough of Hammersmith and Fulham Pension Fund, the Audit Committee fulfil the role of those charged with governance. The Investment Committee considers and decides all matters appertaining to the investment, administration and management of the Pension Fund including review of the Pension Fund Annual Report and is part of the overall member oversight process.

Audit approach

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

- An evaluation of the 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 needed to alter our audit plan, as was communicated to you on 31 July 2024.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 6 November 2024.

Acknowledgements

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

We have revised materiality due to the actual gross investment assets changing from that used at the planning stage resulting in a review of the appropriateness of the materiality figure. We have also decreased the materiality percentage to 1.25% to be in line with the firm's updated guidance and with the other tri-borough funds.

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

	Pension Fund Amount Per Audit Plan (£)	Pension Fund Amount Final (£)	Qualitative factors considered
Materiality for the financial statements	£16,180,000	£17,000,000	This benchmark is determined as a percentage of the Fund's Net Assets, which is approximately 1.25%.
Performance materiality	£11,326,000	£12,750,000	This balance is set at 75% of overall materiality
Trivial matters	£809,000	£850,000	This balance is set at 5% of overall materiality
Specific Materiality for Fund Account (used for testing balances which primarily hit the Fund Account, such as Contributions and Benefits Payable)	£6,300,000	£7,150,000	This benchmark is determined as a percentage of the Fund's expenditure, which has been determined as 10%.



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	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</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>In response to the identified risk we have:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gained an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>We identified through our review of the journal entry control environment that:</p> <ul style="list-style-type: none"> • Senior personnel are registered as users and are theoretically able to post journal entries. • There is no automated authorisation process for journal entry postings in place. <p>We have raised a recommendation around the overall journal control environment in Appendix B of the report. Our testing of journal entries has not identified any material misstatements or indications of management override of controls.</p> <p>There is no evidence that senior management have posted any journals. Management is satisfied that compensatory controls exist and monitoring processes would identify any material instances of unusual activity.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan Commentary

ISA240 revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

As reported in our Audit Plan, having considered the risk factors set out in ISA240 and the nature of the Pension Fund revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- There is little incentive to manipulate revenue recognition.
- Opportunities to manipulate revenue recognition are very limited.
- The culture and ethical frameworks of local authorities, including Hammersmith and Fulham Pension Fund, mean that all forms of fraud are seen as unacceptable.

However, due to the material nature of the Fund's revenue streams, we have undertaken the following substantive testing on key revenue streams:

- Tested a sample of contributions to payroll records for Council employees and to returns from the Admitted/Scheduled bodies data to gain assurance over the accuracy and occurrence of contributions.
- Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payroll and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.
- Agreed a sample of investment income to confirmations from the fund managers.
- Agreed a sample of transfer in back to supporting documentation from the transferring fund and to the cash received into the pension fund bank account.

During our testing, we identified a **£2.2 million** variance between the contributions received from schools and the figures in the contribution returns submitted by the schools. This variance is due to the poor quality of returns received by the school. We have made a recommendation to the management to resolve the issue with schools in a timely manner to ensure the accuracy of contributions. We have also included this as an unadjusted uncertainty in Appendix C as this variance in contribution received from schools cannot be supported by any evidence.

Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan Commentary

Practice Note 10 expenditure recognition

Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that 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 for public sector bodies.

As reported in the Audit Plan, In relation to Practice Note 10 and the risk of fraud related to expenditure recognition we have rebutted this because there is little incentive to manipulate expenditure. Therefore, we do not consider this to be a significant risk for the London Borough of Hammersmith and Fulham Pension Fund.

However, due to the material nature of the Fund's expenditure, we have undertaken the following substantive testing on key expenditure streams:

- Testing a sample of lump sums and associated individual pensions in payment to member files.
- Testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.
- Agreed transfers out to documentation from the pensions system, agreements with the receiving fund and to the cash paid out the pension fund bank account.
- Sample testing of management expenses to supporting documentation from the fund managers and to recharges from the Council.

During our testing, we identified variances between the value of management expenses included in the accounts and the actual expenses charged by Fund Managers for 2023-24. These variances are due to the timing differences in the availability of the information used in the estimation process of the Pension Fund which were not available when the draft accounts were produced. The total extrapolated misstatement is **£3.291 million**, which is not material. Thus, management has decided not to amend the accounts. This variance is reported as an unadjusted misstatement in Appendix C.

Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 investments

The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature, investments carried at level 3 in the fair value hierarchy lack observable inputs which can be used in their valuation. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£285 million in the Pension Fund's Net Assets Statement as at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024.

Commentary

In response to the identified risk we have:

- Evaluated management's processes for valuing Level 3 investments.
- Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for private equity investments; to ensure that the requirements of the Code are met.
- Considered the competence, expertise and objectivity of any management experts used
- Independently obtained year-end capital statement confirmations from the investment managers and the custodian.
- We have also reviewed the investment manager service auditor report on design and operating effectiveness of internal controls covering the valuation of the investments.

During the testing performed, we identified variances totalling £1.06 million between the value of Level 3 investments included within the accounts and the year-end confirmation 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 at 31 March 2024 than what 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 in Appendix C. This is consistent with prior year, due to timing of the statements and the production of the accounts.

Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.

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
Level 3 Investments – £285 million	<p>The Pension Fund has Level 3 investments in private equity funds, infrastructure funds, illiquid alternatives that are valued on the net assets statement as at 31 March 2024 at £285 million.</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 £53 million in 2023/24, due to a combination of purchases, sales and changes in market value.</p>	<p>The Fund uses the capital statements obtained from the relevant Fund Managers at 31 March 2024 to estimate the values for inclusion within the Accounts. We have obtained these capital statements directly from the Fund Managers at 31 March 2024 and compared these to the values within the financial statements.</p> <p>We have obtained the latest audited accounts and compared the valuations with the fund managers capital statements at the same date of 31 December 2023.</p> <p>We have reviewed and tested cash flow movements from the date of the audited financial statements to 31 March 2024.</p> <p>In addition, we checked the financial statements to ensure that they had been issued an unqualified opinion by their auditors, and that the valuation of the investments has been completed in accordance with appropriate guidelines and the valuation is consistent with International Financial Reporting Standards.</p> <p>During the testing performed, we identified variances totalling £1.06 million between the value of Level 3 investments included within the accounts and the year-end confirmation 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 2024 than what 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 in Appendix C. This is consistent with prior year, due to timing of the statements and the production of the accounts.</p> <p>Our audit procedures in this area is substantially complete, with no other issues arising to date.</p>	[Green]

Assessment

- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **{Amber}** 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
- **[Green]** 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
Level 2 Investments – £1,068 million	<p>The Pension Fund has investments in pooled equity and property funds that in total are valued on the balance sheet as at 31 March 2024 at £1,068 million.</p> <p>The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management make use of evaluated price feeds, with the exception of the valuation of the pooled property investments which is based on evaluation of market data.</p> <p>The value of the investment has increased by £40 million in 2023/24, due to a combination of purchases, sales and changes in market value.</p>	<p>We have assessed the appropriateness of the underlying information used to determine the estimate.</p> <p>We have tested underlying valuations to quoted prices.</p> <p>We have reviewed the reasonableness of the increase in the estimate.</p> <p>We have assessed the adequacy of disclosure of estimate in the financial statements.</p> <p>During the testing performed, we identified variances totalling £1.61 million between the value of Level 2 investments included within the accounts and the year-end confirmation 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 2024 than what 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 in Appendix C. This is consistent with prior year, due to timing of the statements and the production of the accounts.</p> <p>Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.</p>	[Green]

Assessment





- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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	Additional procedures carried out to address risks arising from our findings
			Security management	Change management	Technology infrastructure		
SAP (General Ledger)	ISAE 3402 Report Review from Hampshire County Council, who provide this service for the Pension Fund					Not Applicable	Not Applicable
UPM (Pensions Administration System)	ISAE 3402 report review					Password complexity settings should be configured on UPM in line with best practice and set the minimum password age to greater than 0	Not Applicable

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 other 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	You 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	A letter of representation has been requested from the Pension Fund, which is included in the Audit Committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Pension Fund's banking and investment counterparties. This permission was granted, and the requests were sent, and all have been received as part of our work at year end. We wrote to those solicitors who worked with the 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 Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements



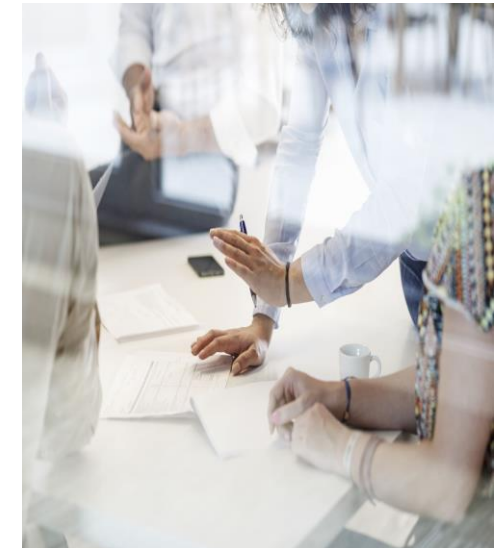
Our responsibility

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. <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 Pension Fund 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 Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the 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 financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>The Pension Fund is administered by the London Borough of Hammersmith and Fulham (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E</p>
Matters on which we report by exception	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>Due to the statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2024. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit administering authority until this work has been completed.</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>



3. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, we disclose the following to you:

- 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 7 September 2022 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](#). PSAA has also published their own Quality Monitoring Report, this report is available at [Audit Quality Monitoring Report 2023 – PSAA](#).

3. 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 Pension Fund.

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 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 Pension Fund held by individuals
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 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 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, a member of the Pension Fund's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Audit Adjustments
- D. Fees and non-audit services
- E. Audit opinion

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
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. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>Journal entries control environment</p> <p>We identified through our review of the journal entry control environment that:</p> <ul style="list-style-type: none"> Senior personnel are registered as managers and are theoretically able to post non-balance sheet journal entries There is automated authorisation process for journal entry postings in place. <p>We have not identified from our testing of journal entries any material misstatements or indications of management override of controls. However, we do not test every journal and there may be undetected fraud or error.</p> <p>Management is satisfied that compensatory controls exist and budget monitoring processes would identify any material instances of unusual activity.</p>	<ul style="list-style-type: none"> Senior personnel should not have access to post journal entries to the ledger as, whilst no postings were made by senior management during the year of audit, this ongoing access possess an increased risk of management override. It is best practice to include an automated two-stage approval process for journal entries to evidence that entries have been subject to adequate review prior to posting. Although there is a manual approval process being conducted outside the system, there is still a risk that journals are being posted without appropriate approval. <p>Management’s Response</p> <p>Management will liaise with Hampshire IBC team to enquire whether the ‘create journal’ application for senior personnel can be disabled on the IBC Portal. It is likely to be prohibitively expensive to modify the SAP system for which the London Borough of Hammersmith and Fulham uses an off the shelf solution.</p>
<p>● Medium</p>	<p>Schools’ Contributions mismatch</p> <p>In our review of the Pension Fund’s reconciliation to gain assurance on the occurrence of contributions, we identified a £2.2 million variance between the contribution returns provided by the schools and the actual amount paid for contributions during the year. Upon discussion with the management, this is caused by the poor quality of returns received from the schools.</p> <p>As this variance cannot be supported by any evidence from the schools, we have reported this to the management as unadjusted uncertainty in Appendix C.</p>	<p>We recommend the Pension Fund identifies the specific cause of the mismatch and looks to resolve this with the schools in a timely manner to ensure that accurate contributions are being received and any issues are resolved in a timely manner.</p> <p>Management’s Response</p> <p>TBC</p>

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>Bank Reconciliation</p> <p>During the year, we identified that bank account reconciliations were not being undertaken as a standalone reconciliation as part of the financial process. We acknowledge that the cash book balance in the general ledger and the bank statement at year end agreed. Despite this we would expect the year end reconciliation to be retained for audit purposes.</p>	<ul style="list-style-type: none"> Management should undertake month bank reconciliations on a timely basis. <p>Management’s Response</p> <p>The bank is reconciled monthly, however it is a live document throughout the financial year. A final reconciliation of cash at GL to cash at bank will be produced separately at the financial year end in future years.</p>
<p>● Low</p>	<p>Password configuration settings for UPM not in line with best practice.</p> <p>We noted that password complexity settings were configured on UPM in line with best practice with the exception of minimum password age which has been set to 0. If this was done there was then no requirement to reset the password for the user.</p> <p>A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular:</p> <ul style="list-style-type: none"> Users may bypass the password history configuration by example, changing their passwords 13 times in a few minutes and recycle the same password over a long period. 	<ul style="list-style-type: none"> Management should ensure that password settings configured on the UPM are in line with best practice and set the minimum password age to greater than 0. <p>Management’s Response</p> <p>Management agree that access to UPM via a password should be increased to at least 15 characters and will liaise with LPPA on this matter.</p>

Controls

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

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. There were no adjusted or unadjusted misstatements over the triviality threshold.

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?
<p>Note 5 – Assumptions made about the future and other major sources of uncertainty</p> <p>The note does not include disclosure for other level 3 investments such as Illiquid Alternatives which are subject to estimation uncertainty.</p>	The disclosure note should be amended.	✓
<p>Note 10 – Investment Income</p> <p>The classification of investment income from Partners Group was changed from Pooled Investments to Alternatives in 23/24. It should be reverted to Pooled Investments for consistency.</p>	The disclosure note should be amended.	✓
<p>Note 16 – Financial Instruments</p> <p>Price Risk – The disclosure should be amended to remove the cash balance of £23.1 million from the 23/24 market value of assets exposed to price risk totalling £1,376.4 million.</p> <p>Currency Risk - The disclosure should be updated to remove the investments held at GBP of £35.3 million from the 23/24 market value of assets exposed to currency risk totalling £625.7 million.</p>	The disclosure note should be amended.	✓
<p>Note 21 - Additional Voluntary Contributions</p> <p>The note has been updated to reflect figures now received from Scottish Windows and Utmost Life and Pensions of £0.848 million and £0.152 million for 2023/24, respectively.</p>	The disclosure note should be amended.	✓
<p>There are various other minor presentational changes made that management has agreed to make in the updated set.</p>	The disclosure note should be amended.	✓

C. Audit Adjustments (continued)

Impact of unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Variations on Level 3 Investments	(1,060)	1,060	1,060	Management do not consider the difference to be material.
In our testing of investments, the Partners Group and Quinbrook – Infrastructure Level 3 investments was understated in value by £1.06m. This was due to timing differences in the availability of valuation information from the Fund Manager.	Change in market value	Investment assets	increase	
Variations on Level 2 Investments	(1,608)	1,608	1,608	Management do not consider the difference to be material.
In our testing of investments, the Abrdn – Long Lease Property Level 2 investment was understated in value by £1.61 million. This was due to timing differences in the availability of valuation information from the Fund Manager.	Change in market value	Investment assets	increase	

C. Audit Adjustments (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Variations on Management Expenses	3,291	Nil	Nil	Management do not consider the difference to be material.
Our testing of management expenses identified 1 sample out of 5 where the fees coded to 2023-24 had been overstated. This was due to timing differences in the availability of transaction fees information from the Fund Manager. The extrapolated misstatement is £3,291k. Note that this is an extrapolation to identify the potential error, and not the size of the actual error identified.	Change in market value (3,291) Management expenses			
Overall impact	(2,660)	2,660	2,660	

C. Audit Adjustments (continued)

Impact of unadjusted uncertainty

The following unadjusted uncertainties have been identified from the work performed during the course of the audit. The Audit Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
School's contribution mismatch	2,253	(2,253)	2,253	Management do not consider the difference to be material.
In our review of the Pension Fund's reconciliation to gain assurance on the occurrence of contributions, we identified a £2.2 million uncertainty in respect of schools' contributions received during the year which cannot be supported by any evidence due to the poor quality of returns received from the schools.	Contributions	Current liabilities	decrease	
Overall impact	2,253	(2,253)	2,253	

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 2022/23 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Variations on Level 3 Investments	(3,201)	3,201	3,201	Management do not consider the difference to be material.
In our 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	increase	
Variations on Level 3 Investments	1,302	(1,302)	1,302	Management do not consider the difference to be material.
In our testing of investments, the Man Group Level 3 investment was overstated in value by £1.3m. This was due to timing differences in the availability of valuation information from the Fund Manager.	Change in market value	Investment assets	decrease	
Variations on Level 3 Investments	(1,476)	1,476	1,476	Management do not consider the difference to be material.
In our testing of investments, the Partners Group Level 3 investment was understated in value by £1.4m. This was due to timing differences in the availability of valuation information from the Fund Manager.	Change in market value	Investment assets	increase	
Variations on Level 3 Investments	2,473	(2,473)	2,473	Management do not consider the difference to be material.
Audit testing identified that £2.4m difference while performing a recalculation of investment from Aviva (Fund manager). We have found a discrepancy between the recalculation of the investment and the investment statement as of 31 March 2023	Change in market value	Investment assets	decrease	
Overall impact	(902)	902	902	

The above variances identified in the prior year resulted in the Investments held being potentially understated by £902k. There is no impact on the closing balance in 2023-24, however the above does reduce the *Profit on disposals of Investments and changes in value of Investments* by £902k.

C. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements- Fund Account

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
<p>Contribution Testing</p> <p>In our contribution testing, we have extrapolated any errors that we have found and concluded that across the whole tested population, we have identified a misstatement of £188k.</p>	188	(188)	188 decrease	<p>Management do not consider the difference to be material.</p> <p>Update – as this was an extrapolated error, we not expect any changes to be made and thus satisfied does not carry forward to 2023-24.</p>
<p>Audit Fee Note</p> <p>We have identified a variance of £11k between the audit fee note and the actual audit fee as per our audit plan during our testing.</p>	11	(11)	11 decrease	<p>Management do not consider the difference to be material.</p> <p>Update – no impact on 2023-24 as this was reporting the value at a point in time.</p>
Overall impact	199	(199)	703	

D. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Fee per Audit plan	Proposed Fee
Scale Fee	£86,884	£86,884
ISA315 - these fees have now been agreed and set by PSAA, with a slight increase to the fee proposed in the audit plan of £340 following this review.	£7,500	£7,840
Total audit fees (excluding VAT)	£94,384	£94,724

The financial statements disclose an audit fee for the audit of the Pension Fund 2023/24 of £86,884. The difference to the stated final fee is the ISA 315 element as described above.

E. Draft Audit opinion

Our Draft 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 London Borough of Hammersmith and Fulham on the pension fund financial statements of London Borough of Hammersmith and Fulham Pension Fund

Opinion on financial statements

We have audited the financial statements of London Borough of Hammersmith and Fulham Pension Fund (the 'Pension Fund') administered by London Borough of Hammersmith and Fulham (the 'Authority') for the year ended 31 March 2024, 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 2023/24.

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 2024 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 2023/24; 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 2023/24 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. 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.

E. Draft Audit opinion continued

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.

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of Responsibilities 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 2023/24, 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 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

E. Draft Audit opinion continued

We enquired of management 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 management, 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:

- 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's financial position, and
- accounting estimates made in respect of the valuation of investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including directly held investments in property and the IAS 26 pensions asset valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item. evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud.

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, including the potential for fraud in revenue and expenditure recognition. 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.

E. Draft Audit opinion continued

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 85 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.

Matt Dean, Key Audit Partner

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

London

6 November 2024

