

Audit Findings (ISA 260) Report for London Borough of Hammersmith and Fulham

Year ended 31 March 2025

October 2025



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

October 2025

Dear Members of the Audit Committee

Grant Thornton UK LLP

8 Finsbury Circus
London
EC2M 7EA

+44 (0)20 7383 5100

www.grantthornton.co.uk

Audit Findings for London Borough of Hammersmith and Fulham for the 31 March 2025

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

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.

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.pdf).

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.

Paul Cuttle

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of London Borough of Hammersmith and Fulham Council (the 'Council') and the preparation of the Council's financial statements for the year ended 31 March 2025 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's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during July-September as planned. Our findings are summarised on pages 12 to 54. We have identified with management 2 adjustments to the financial statements that have resulted in a Nil adjustment to the Council's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Council's usable reserves —reflecting the overall robustness of the financial reporting at the Council.

Audit adjustments are detailed at pages 40-43. We have also raised recommendations for management as a result of our audit work. These are set out at pages 44-47. Our follow up of recommendations from the prior year's audit are detailed at pages 48-50.

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

- Resolution of queries raised by our valuation expert, from management and their valuation expert;
- Completion of Housing Benefit Assurance Process Module 2 and 5;
- Receipt of management representation letter; and

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

Our anticipated financial statements audit report opinion will be unmodified.

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, which is summarised on page 52, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report at the Audit Committee meeting. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Headlines

Statutory duties

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

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

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work required in relation to the NAO Whole of Government Account return. Per the Group instructions the Authority is below the audit threshold of £2 billion, which is applied individually to the following benchmarks - income, expenditure, Assets excluding Property Plant and equipment and liabilities excluding Pension liabilities. However, we are required to leave the Certificate open until the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2025.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Within the Public inspection period an objection to the accounts was received. This objection was raised by a valid elector and within the objection window, relating to Pensions. We are reviewing this objection but do not expect to have completed our review prior to the completion of our audit work. We will not be able to certify the 2024-25 audit until we have completed our work on this objection.

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

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local Council audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to note our audit work has been completed significantly ahead of the deadlines noted above both this year and last year. This reflects positively on the way the Council approaches the audit process and proactive detailed approach it takes to the preparation of the financial statements and resolution of audit queries. We will continue to work with management to ensure we work towards providing standard complete audit opinions on a timely basis.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local Council practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when a Council is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Council

The impact on the Council financial statements is as follows:

- Implementation of IFRS 16 has led to material changes in the financial statements with Right of use assets valued over £60 million being recognised on the balance sheet at the transition date. This balance includes the impact on items under the PFI arrangement for which the Council already had an asset with a corresponding Finance lease liability recognised under the previously applicable standard of IAS 17.
- The Council has made all the necessary changes to the accounting policies relating to borrowing rates, reconciliations, and applied exemptions and have complied with all the disclosure requirements of IFRS 16 and the CIPFA Code.
- Professional judgments have been applied by the Council relating to lease term assumptions, embedded lease identification, and valuation of peppercorn leases, which have been disclosed in the accounts.

(Continued)

Headlines

Implementation of IFRS 16

Impact on the Council

- Controls have been updated to support lease identification and classification. A completeness exercise was undertaken across the departments using questionnaires and spreadsheets to identify all lessee leases.
- The Council has mostly relied on spreadsheets for implementation and to track lease data and ensure completeness and accuracy across services
- Operating leases were reclassified as finance leases, except IFRS 16 exemptions has been applied where leases have been deemed low-value or short-term.
- 11 peppercorn (nil-consideration) leases were identified; fair value assessments were done by the management's valuer to recognise donated ROU assets at transition date under IFRS 16.

The Council has made substantial progress in implementing IFRS 16, with material lease liabilities and right-of-use assets now recognised in the financial statements. The transition has been supported by updated internal controls, robust data collection processes, and a high level of departmental engagement.

From an auditor's perspective, the Council has demonstrated a reasonable and systematic approach to identifying and assessing leases, including embedded and peppercorn arrangements. However, the auditor has noted a few discrepancies on implementation of the new standard which have been documented in our audit adjustments log.

The Council's implementation of IFRS 16 demonstrates a strong commitment to financial reporting standards and reflects positively on the collaborative efforts of the finance and estates teams.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated April 2025, we determined materiality at the planning stage as £17.3m based on 2% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has been updated to reflect the draft financial statements for 2024/25.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £18.4m based on professional judgement in the context of our knowledge of the Council, including consideration of the users of the accounts. The Council's budget is expenditure based, with the primary aim of providing services for the community and we have determined this an appropriate benchmark.
- We have used 2% of gross expenditure as the basis for determining materiality.
- The percentage used for the Council has increased to 2% of gross expenditure (1.5% in 23/24). This increase reflects national changes to the benchmark percentages we set on Local Government bodies.

Performance materiality

- We have determined performance materiality at £12.88m, this is based on 70% of headline materiality.
- We have revised the performance materiality due to the actual gross expenditure changing from that used at the planning stage resulting in a review of the appropriateness of the materiality figure.

Specific materiality

- We have applied a lower threshold in relation to Officers Remuneration. Materiality for this balance was set at £100k with performance materiality set at £75k.

Reporting threshold

- We will report to you all misstatements identified in excess of £920k, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Council (£)	Qualitative factors considered
Materiality for the financial statements	18.4m	Materiality has been set at 2% of the Council's gross expenditure. It has been updated from the amount set at the planning stage due to the change in the figure for Gross operating expenditure reported in the draft financial statements for the year end 31 March 2025
Performance materiality	12.88m	Set at 70% of materiality, this is the same as in prior year. This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Specific materiality for Senior Officer Remuneration	Materiality 0.1m Performance materiality 0.075m (calculated at 65% of above-mentioned materiality)	This is an area considered to be of a greater level of public scrutiny and sensitivity. We apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.
Reporting threshold	0.92m	This is set at 5% of materiality.

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of the pension fund net liability	Significant	↔	✗	High	●
Valuation of land and buildings including Council dwellings	Significant	↔	✗	High	●
Valuation of investment properties	Significant	↔	✗	High	●
Implementation of IFRS 16	Other	↔	✗	Medium	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

Audit procedures performed

We have:

- evaluated the design and implementation of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Conclusion

Our audit work has not identified any issues in respect of management override of controls.

We have noted no material adjustments or findings in relation to override of controls.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

Significant risks

Risk identified	Audit procedures performed	Conclusion
<p>Valuation of the pension fund net liability</p> <p>The Council's pension fund net liability is a significant estimate due to its material size (£37.1m as of 31 March 2025) and its sensitivity to key actuarial assumptions.</p> <p>The liability comprises two schemes:</p> <ul style="list-style-type: none"> • LGPS scheme: Net liability of £37.154m, fully reflected in the Council's accounts. • LPFA scheme: Gross asset position of £25.135m, but only £11k is recognised due to IFRIC 14, which limits recognition of surplus assets when access to benefits is restricted. <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models or the Source data used in the calculations.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls in place to ensure the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management experts (the 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 pension fund valuation; • assessed the accuracy and completeness of information provided by the Council to the actuary to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports 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 performed any additional procedures suggested within the report; • obtained assurances from the auditor of the Hammersmith and Fulham Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements; and • reviewed the application of IFRIC 14 and ensured the asset ceiling is correctly applied for both the asset and liability. 	<p>No material misstatements were identified in response to this risk, other than a disclosure adjustment detailed on page 42. Additionally, the Pension Fund audit noted an understatement of assets amounting to £3.993 million, due to updated valuations received after the preparation of the accounts. While this does not impact the pension liability in the financial statements due to the application of IFRIC 14, it results in an understatement of gross assets disclosed in the pensions note.</p>

Significant risks

Risk identified	Audit procedures performed	Conclusion
<p>Valuation of land and buildings including Council dwellings</p> <p>The Council revalues its land and buildings on a rolling five-year basis.</p> <p>This process involves significant management estimation due to the large values involved—£350.4 million for other land and buildings and £1,266.4 million for council dwellings as of 31 March 2025.</p> <p>Key assumptions include:</p> <ul style="list-style-type: none"> – Impairment assessments – Use of historic valuation data – Valuations of uninspected properties – Changes in asset use during the year – Management must ensure that the carrying values in the financial statements reflect either the current value or fair value (for surplus assets) as of the reporting date. <p>As a result, the valuation of land and buildings—particularly council dwellings, other land and buildings, and surplus assets—has been identified as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, instructions issued to valuation experts, and 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 are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • for Council Dwelling revaluations we have tested the appropriateness and application of the Beacon Valuations; • for Other Land and Buildings, we tested the key assumptions and application of build costs, obsolescence factors and floor plans for assets valued on a Depreciated replacement cost basis. For assets valued on an Existing Use value basis we focused our work on yields and income of the assets; • focused testing on managements impairment assessment, valuations based on historic data and where no inspections have been undertaken. This also included a focus on any assets that have had a change in use in the year; • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. 	<p>We are satisfied judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements</p> <p>We have raised one recommendation on the methodology used to value the HRA Beacons, for which please refer to page 44 of this report.</p> <p>Our work is nearing completion, we have our final queries from our valuation expert to clear with management and their valuation expert. Except for this and our final quality checks of the audit file our work on this area is complete.</p>

Significant risks

Risk identified

Valuation of investment properties

The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value 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 (£118.9 million in the Council’s balance sheet on 31 March 2025) and the sensitivity of this estimate to changes in key assumptions.

The key assumption for investment property is the yield rates utilised by the valuer and our testing therefore focused on this area. Management have engaged the services of a valuer to estimate the current value as at 31 March 2025.

We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

As noted in previous years the Council has in its Investment properties, advertising hoarding assets that are harder to value due to the level of activity in the market.

Audit procedures performed

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the 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 valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council’s valuers’ work, the Council’s valuers’ reports and the assumptions that underpin the valuations;
- focused our testing on the yield rates used by the valuer; and
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council’s asset register.

Conclusion

We have not noted any material adjustments or findings in relation to valuation of investment properties other than an error in Investment property valuation, which since not material therefore has not been adjusted, for details of which please refer to page 43.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology

Our work is nearing completion, we have our final queries from our valuation expert to clear with management and their valuation expert. Except for this and our final quality checks of the audit file our work on this area is complete.

Significant risks

Risk identified	Audit procedures performed	Conclusion
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.</p>	<p>In our Audit Plan, we set out our consideration of the risk factors set out in ISA240 and nature of the revenue streams at the Council, considering which we determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • for revenue streams that are derived from council tax, business rates, grants, rental income from HRA and Investment properties, parking income and Investment income. These are incomes which are based primarily on grants or are formula driven from the central government and taxpayers and therefore the opportunities to manipulate them are very limited; and • opportunities to manipulate revenue recognition are very limited. 	<p>No circumstances have arisen in the course of the audit process that have led to us amending the initial rebuttal as reported in the Audit Plan.</p>
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure</p>	<p>As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the nature of the expenditure streams of Hammersmith and Fulham, and on the same basis as that set out for revenue, we have not considered this to be a significant risk for the Council during the 2024/25 audit.</p>	<p>No circumstances have arisen in the course of the audit process that have led to us amending the initial assessment as reported in the Audit Plan.</p>

Other risks

Risk identified

Implementation of IFRS 16

Following consultation and agreement by FRAB, the Code provided for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. The Council elected not to disclose the impact of this in the 2023-24 accounts and that means the Council was required this year to state:

- The opening balances at the 1st April 2024 for the associated borrowings and right of use assets.
- CIES movements of the new standard.
- The closing balances at the 31st March 2025 for the associated borrowings and right of use assets.

The new standard most significantly impacted operating leases bringing these onto the Balance sheet, it also required peppercorn leases to be valued at a fair value.

The net impact on the Councils opening balances was £17.1m million, which was above performance materiality. This estimated impact is similar to the values noted in the lease notes in the 2023-24 accounts, after having adjusted for IFRS16 exemptions in relation to short term and low value leases. Additionally, the total amount of Right of use asset recognised amounted to £62m at 1st April 2024 and £66m at the year end. Given this balance is material and the standard does change the accounting for leases on the Balance sheet and CIES, there was extra work required in the first year of implementation.

This will help ensure going forwards the standard has fully implemented and can be readily pulled forward in future years. We have assessed based on the final position that this was an ‘Other’ risk, as given the figures in question we did not consider it as likely that changes in key assumptions will drive material misstatements.

Audit procedures performed

We have:

- reviewed the corresponding Right of Use Assets and Borrowings at both the 1st April 2024 and the 31st March 2025;
- reviewed key assumptions determined by management upon implementing the new standard. This included interest rates applied over the length of the leases, valuation of peppercorn leases and the determination of the lease length;
- reviewed the processes management put in place to ensure the completeness of leases and the accuracy of the lease information. This also included inquiries of the estates team;
- sample tested leases from the lease register to test the accuracy of the data; and
- compared the lease disclosures to the lease payments in year and prior year lease disclosure notes to further test the completeness/accuracy of the disclosure.
- as part of our work we also reviewed the lease disclosure in the accounts to ensure that they are in line with the requirements of the code. In this regard we identified a few missing disclosure which included the operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities with a corresponding right of use asset then recognised in the Balance Sheet at the date of initial application.

Additionally, we requested the Council to include a disclosure highlighting the cash and non-cash movement for the lease liability as well. Both of the above items have been added and testing by us as part of our audit procedures for accuracy and completeness.

Key observations

We are satisfied with the Councils application of IFRS 16 and have not identified any material misstatements in response to this risk.

We have noted minor disclosure misstatements as detailed on page 41 and 42.

Other findings



Other areas impacting the audit

Issue	Commentary	Auditor view
<p>Members' allowances and Officers remuneration</p> <p>We have noted the Director of Public Health included in the 24/25 remuneration report was not disclosed in the remuneration report in 23/24. This has led to a prior period change to the disclosure during the 2024/25 financial year.</p> <p>We have also identified within our testing that a member was included within an incorrect pay banding. This has led to the amendment of the note to adjust for this.</p>	<p>Members' allowances are a disclosure within the accounts that users consider material by nature.</p> <p>Correct disclosure of this note ensures that full transparency is maintained, and the reporting requirements are met, and strong controls continue to function as expected.</p>	<p>We recommend continued senior oversight of this note takes place, to ensure senior officers are correctly captured within the note.</p>
<p>A periodic, detailed technical review of the financial statements was undertaken</p> <p>As part of our quality assurance procedures, we undertook a detailed technical review of the financial statements, last performed in 2022–23.</p> <p>This review was particularly timely, coinciding with the implementation of IFRS 16, but also therefore gave rise to a number of points related to this. This is in part driven by the fact there are a number of additional disclosures when implementing a new complex accounting standard.</p>	<p>This review was particularly timely given the implementation of IFRS 16 and the complexity of the Authority's financial reporting.</p> <p>The main points raised related to the IFRS 16 and questions around the accounting of balances with West King Street Renewal.</p>	<p>The adjustments noted to the accounts in relation to this work can be found in the audit adjustments section of this report.</p> <p>We are satisfied that appropriate adjustments have been agreed.</p>

Other areas impacting the audit

Issue	Commentary	Auditor view
<p>Accounting considerations relating to West King Street LLP Council Joint Venture (JV)</p> <p>In our review of the accounts we had to consider several points in relation to the Joint Venture:</p> <ul style="list-style-type: none"> • Managements assessment that there would be no material difference between preparing the accounts as a single entity and Group accounts. This is key in supporting the assessment that Group accounts are not required. • To assess whether the JV investment of 25 million in the Council accounts is fully recoverable. • To assess whether the JV Capital debtor the Council holds of £40.9 million is fully recoverable. 	<p>In our audit work we undertook the following procedures:</p> <ul style="list-style-type: none"> • Undertook a review of the Code and the differences in preparing Single entity accounts compared to equity Group Accounts in relation to the JV. Based upon our detailed review there is no material difference if the Council prepared Group accounts or single entity accounts and therefore this assessment is appropriate. • From our review we are satisfied that the JV balances are fully recoverable. We note the JV accounts show a net asset position of £48.8m, this is lower than the £50m Investment by the Council and A2 Dominion. But based on latest business plans the Council expects on winding down the JV to receive a £2.6m profit share, per the latest plans. The Council also has a penalty notice of £6.2m it has not recognised in its accounts but which has in the JV's accounts. We therefore are satisfied these balances are recoverable. • We are satisfied the capital debtor of £40.9m is fully recoverable. We note the JV has recognised this as a sale in its accounts due to accounting for the balance as Inventory. The Council has made these payments to the JV following surveyor reviews and completion statements. However, The Council has not recognised this balance as Property, Plant and Equipment, based on its assessment that it does not yet have control over the asset. 	<p>We are satisfied with the responses received on this matter. We note due to the Councils application of the accounting standards there are differences in the accounting between the council and JV financial statements:</p> <ul style="list-style-type: none"> – The council holds a debtor balance for completed work on the CIVIC campus. The JV has recognised this as inventory and the debtor as revenue. The Council has applied this treatment based on its assessment that it does not currently control the asset due to not being able to move into the site whilst other parts of the project are ongoing. – The JV has recognised a £6.2m provision for penalty clauses that the Council may exercise. The Council has not recognised a corresponding debtor, as it is still evaluating whether to exercise this option.

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation. 	<ul style="list-style-type: none"> Policy considered appropriate under the Code of Practice on Local Council Accounting. Adequate disclosure of this accounting policy within the financial statements 	 GREEN
Expenditure recognition	<ul style="list-style-type: none"> Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Supplies are recorded as expenditure when they are consumed. where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. 	<ul style="list-style-type: none"> Policy considered appropriate under the Code of Practice on Local Council Accounting. Adequate disclosure of this accounting policy within the financial statements 	 GREEN

Assessment:

● **Red** = Marginal accounting policy which could potentially be open to challenge by regulators

● **Amber** = Accounting policy appropriate but scope for improved disclosure

● **Green** = Accounting policy appropriate and disclosures sufficient

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	<p>PPE assets are initially measured at cost comprising purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.</p> <p>Assets are then carried in the Balance Sheet using the following measurement bases:</p> <ul style="list-style-type: none"> Infrastructure, community assets and assets under construction – depreciated historical cost. Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH). Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council’s housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value. School buildings, sports centres and libraries – are deemed of a specialist nature and are measured at depreciated replacement cost which is used as an estimate of current value. surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective. all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). <p>Assets included on the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the end of the financial year, but as a minimum every five years.</p> <p>Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end.</p>	<ul style="list-style-type: none"> Policy considered appropriate under the Code of Practice on Local Council Accounting. Adequate disclosure of this accounting policy within the financial statements 	<p>● GREEN</p>


Other findings – key judgement and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £350.4m at 31 March 2025 Investment Properties £118.9m at 31 March 2025	<p>The Council engaged Wilks Head and Eve to carry out property valuations as at 31 March 2025, in line with its five-year cyclical revaluation programme. In 2024/25, 86% of total OLB assets were revalued. £258.5 million of specialised assets (e.g. sports centres, schools, libraries) were valued using Depreciated Replacement Cost (DRC), reflecting the cost of a modern equivalent asset. £72.8 million of non-specialised assets were valued using Existing Use Value (EUV).</p> <p>For assets not formally revalued at year-end, management assessed their values based on known movements since the last valuation and concluded that these remained materially accurate. Specific revaluations were requested where significant changes had occurred.</p> <p>The Council's investment properties were valued using the investment method, capitalising rental income at appropriate yields. Rental data and yields were determined using comparable market data and valuer judgement.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed the completeness and accuracy of the underlying information used to determine the valuation. This included testing accuracy of floor areas plans provided to the valuer; querying yield percentages used by the valuer against comparable market evidence; recalculating the capitalisation of rental income in fair value valuations to ensure accuracy; using transactional data to review for reasonableness of valuer estimate. We also assessed the appropriateness of the valuation method, the type of inspection performed, the assumptions made in respect of obsolescence and any assumptions made in respect of local factors; for investment properties, reviewed the completeness and accuracy of rental income information and reasonableness of yield percentages applied in calculating the fair value. challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; reviewed the consistency of valuations against our auditor's expert market trend report and adequacy of disclosure in the financial statements; evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. 	<div>●</div> <div>GREEN</div>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of council dwellings £1,266m at 31 March 2025	The council owns close to 12,018 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance required 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 £1,266m, a net decrease of £92m from 2023/24 (£1,358m).	<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 and market properties to assess whether the valuation movement is reasonable. Reviewed those beacon and archetype groups which were not revalued in the year to assess whether the properties were still held at an appropriate and materially correct valuation. Where the professional valuer had applied a desktop indexation to groups of dwellings which has not been selected for beacon valuation, we reviewed and challenged the reasonableness of the index applied through discussion with the valuer to understand the assumptions made to consider the index was applicable. 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 31st March 2025. <p>We have raised one recommendation in relation to the HRA Beacon methodology. Refer to the Action Plan on page 47 for more detail.</p>	 <p>Although we have noted this as a green rating our valuation expert has noted the process of this valuation work could be improved by more regular periodic reviews of the Beacons against comparable market data. See page 47 for details.</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Net pension liability £37.1m at 31 March 2025	The Council uses Hymans Robertson LLP and 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. Our key focus is on the LGPS scheme which uses Hymans Robertson LLP due to the significant size of the associated assets and liabilities.	<ul style="list-style-type: none"> We have assessed the actuary, Barnett Waddingham and Hymans Robertson to be competent, capable and objective. We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable The auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below all assumptions were within the expected range and were therefore considered reasonable <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.8 %– 5.85%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.8%</td><td>2.7%-2.8%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>3.8%</td><td>CPI + 1%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>21.6 years</td><td>+– 8-10 years at extremities</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>24.3 years</td><td>+– 8-10 years at extremities</td><td>Reasonable</td></tr> </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 and its disclosure in the financial statements. We have confirmed there were no significant changes in the 2024/25 valuation method 	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.8 %– 5.85%	Reasonable	Pension increase rate	2.8%	2.7%-2.8%	Reasonable	Salary growth	3.8%	CPI + 1%	Reasonable	Life expectancy – Males currently aged 45/65	21.6 years	+– 8-10 years at extremities	Reasonable	Life expectancy – Females currently aged 45/65	24.3 years	+– 8-10 years at extremities	Reasonable	
Assumption	Actuary value	PwC range	Assessment																								
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Life expectancy – Males currently aged 45/65	21.6 years	+– 8-10 years at extremities	Reasonable																								
Life expectancy – Females currently aged 45/65	24.3 years	+– 8-10 years at extremities	Reasonable																								


Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment															
Net pension liability continued £37.1m at 31 March 2025	<p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none">The Council's pension fund position is as follows: <table><tr><th>Pension Scheme</th><th>LBHF LGPS</th><th>LPFA LGPS</th></tr><tr><td>Gross assets</td><td>£1.282b</td><td>£52.8m</td></tr><tr><td>Gross liabilities</td><td>£1.123b</td><td>£27.663m</td></tr><tr><td>Asset ceiling applied</td><td>£196.7m</td><td>£25.124m</td></tr><tr><td>Net pension liability</td><td>£37.154m</td><td>£11k</td></tr></table> <ul style="list-style-type: none">We have reviewed the assessment of the actuary's calculation for asset ceiling in which we have not identified any issues.	Pension Scheme	LBHF LGPS	LPFA LGPS	Gross assets	£1.282b	£52.8m	Gross liabilities	£1.123b	£27.663m	Asset ceiling applied	£196.7m	£25.124m	Net pension liability	£37.154m	£11k	<div><div></div><div>GREEN</div></div>
Pension Scheme	LBHF LGPS	LPFA LGPS																
Gross assets	£1.282b	£52.8m																
Gross liabilities	£1.123b	£27.663m																
Asset ceiling applied	£196.7m	£25.124m																
Net pension liability	£37.154m	£11k																

Other findings – key judgements and estimates





Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £13.8m in 2024/25	<p>The Council is responsible each year for determining the amount charged for the repayment of debt, known as the Minimum Revenue Provision (MRP).</p> <p>The basis for this charge is set out in regulations and statutory guidance. For the current year, the charge includes the standard MRP element of £3.6m, consistent with the prior year. The overall increase to £13.8m reflects the adoption of IFRS 16. Under this new standard, £10.2m of lease payments are now treated as a charge to MRP. Previously, these payments were charged directly to the General Fund through the Comprehensive Income and Expenditure Statement (CIES). This change demonstrates the Council's correct implementation of the new standard. While the presentation has changed, the impact on the General Fund remains consistent with the prior year, in line with IFRS 16 requirements.</p>	<ul style="list-style-type: none"> The MRP charges for the year has been calculated in line with 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 has been discussed and agreed with those charged with governance and have been approved by full Council The level of increase in MRP charge is reasonable in the context of the impact of IFRS-16 implementation during the year <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p>	<div>●</div> <div>GREEN</div>

Other findings – key judgements and estimates





Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Provision for NNDR appeals £6.9m in 2024/25	The Councils is responsible for repaying a proportion of successful rateable value appeals. Management uses 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 provide by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision has decreased by £881k in 2024/25.	<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 un-lodged 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. <p>We have not identified any issues in relation to this matter.</p>	 GREEN

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

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	 Green	 Green	 Green	 Green	No issues arising from management override of controls

Assessment:

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

Communication requirements and other responsibilities

Other communication requirements

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 In this regard however we have given a recommendation to the Council to ensure that the declarations provided by the members is in line with the accounting standard IAS 24 for detail of which please refer to the page 45 of this report.
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 signed letter of representation will be requested ahead of the auditor's report being signed. We have not identified the need for any specific representations at the time of writing.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners. This permission was granted and the requests were sent. All requests were returned with positive confirmation. As part of our audit procedure's, we communicated with the solicitors who worked with the Council during the period. All responses were received, and no issues were noted.
Audit evidence and explanations	All information and explanations requested from management was provided, with the exception of those relating to outstanding matters detailed on page 6. The financial statements were published and a full suite of supporting working papers was provided to the audit team prior to the commencement of the audit. The quality of working papers provided by the finance team to the audit team remains of a good standard.
Accounting practices	We have evaluated the appropriateness of the Authorities' accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts, which are documented on page 41 and 42.

Other responsibilities

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 2024). 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 environment in which it operates • the Council’s financial reporting framework • the Council’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment.

Other responsibilities

Issue	Commentary
Going concern (continued)	<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; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
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 and Narrative Report), 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	<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/es. <p>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>Note that work is not required as the Council does not exceed the threshold.</p>

Other responsibilities

Issue	Commentary
Certification of the closure of the audit	<p>We are unable to certify the closure of the audit until:</p> <ul style="list-style-type: none">• We receive confirmation from the National Audit Office that there is no work they require from us in relation to their Group Audit of the Whole of Government Accounts.• Until we have completed our work on an objection raised by an elector relating to Pensions. <p>We still are able to conclude our financial statements audit with these matters left to certify. We will keep members and officers updated on both matters and when we are able to certify the audit.</p>

Audit adjustments

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

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Borrowings The short -term borrowing figure had been overstated by £4m and the long-term borrowing figure understated by the same amount.	Nil	Dr Short-term Borrowing 4,000 Cr Long-term Borrowing 4,000	Nil	Nil
Debtor Classification The Council reclassified the long-term debtor balance of £40.9m with respect to its joint venture, West King Street Renewal LLP to short term debtors as they expect the completion of civic campus commercial units in relation to construction of which these amounts had been paid over as prepayments, to be completed in upcoming financial year. Additionally, another long-term debtor balance of £1.2m has also been reclassified to short term debtor as the construction of the project in relation to which it had been paid out is expected to be completed by December 2025.		Dr Short -term debtors 42,154 Cr Long-term debtors 42,154		
Overall impact	0	0	0	0

Audit adjustments

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	Misclassification or change identified	Adjusted?
Movement in Reserves Statement	We recommend the Council add the cumulative impact of the initial application of IFRS 16 to the opening balance of the reserves as per the requirements of the CIPFA Code.	✓
Cashflow statement	Due to the changes being made in the presentation of the note 9 - Property Plant and equipment, in relation to separately presenting the impact of IFRS-16 for in year additions and disposals, and update to the amount for opening balance on transition to IFRS-16 to include the impact for the sub-leased right of use asset as well, this led to adjustments in the amounts presented for Adjustments to net surplus or deficit on the provision of services for non-cash movements and Purchase of Property, plant and equipment, investment property and intangible assets, however the overall impact of it on the cashflow statement was Nil.	✓
Note 1- Expenditure and Funding Analysis	Due to the change in reporting structure in year, we recommend the Council add disclosures to provide details about this change and a table showing how this has impacted the reported figures.	✓
Note 9 – Property, plant and equipment	- We have identified a transposition error where the council dwelling opening balance was stated as £1,385,108k instead of £1,358,108. We recommend this is amended to reflect the true opening position.	✓
	- The opening gross cost of PFI assets in 2024/25 does not agree to the closing gross cost from 2023/24 and a variance of 1.195m has been noted. This is because the in-year revaluations movements in 2023/24 comparatives were incorrectly stated in the accounts as negative 642k instead of positive 543K. These have been rectified in the revised version. To note 2024/25 amounts were correct.	✓
	- Within the Capital Commitments disclosure, we have identified a misstatement of GBP 2.1m which is due to the overstatement of Affordable Housing capital commitment in the draft accounts which will be revised in the final accounts.	✓
	- Additionally, within capital commitments, as part of our substantive audit procedures, we have also identified a disclosure misstatement of GBP 3.6mn by which the capital commitments are overstated. This was primarily due to the impact of the capital expenditure incurred till year end not being correctly considered within the disclosure.	✓
	- Moreover, updates have been made to the disclosure to separate out the impact on additions and disposals due to the implementation of IFRS-16, whereby changes to right of use asset appear separately in the disclosure. Further the amount for adjustment to opening balance on transition to IFRS-16 was also updated to include the amount for the sub-leased right of use asset as well.	✓
Note 10 – Investment Properties	As per the requirements of the accounting standard IFRS-13, we recommend the Council provides a description of the inputs used in the fair value measurement of investment properties.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 13 – Capital Expenditure and Capital Financing	<ul style="list-style-type: none"> - Due to the changes being made in the presentation of the note 9 - Property Plant and equipment, in relation to separately presenting the impact of IFRS-16 for in year additions and disposals, and update to the amount for opening balance on transition to IFRS-16 to include the impact for the sub-leased right of use asset as well, this led to updates in the amounts presented within the Capital Expenditure and Capital Financing note as well, however the closing capital financial requirement balance remains unchanged. 	✓
Note 14 – Leases (Finance and Operating)	- We recommend the Council add the incremental borrowing rate applied to leases as per the requirement of the CIPFA Code	✓
	- We recommend the Council add disclosures for operating leases held as the lessor in relation to PPE subject to operating leases separate from owned assets held and used by the Council as per the requirement of the CIPFA Code,	✓
	- As part of the IFRS-16 disclosure the Council is required to show a reconciliation in the movement of balances between operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application as required by the code. The Council has agreed to add this disclosure.	✓
Note 20 – Provisions	The narrative within the note stated the full actuarial assessment of the insurance fund position was as of 3 December 2020. We have identified this was actually as of 31 March 2021 and recommend this is updated to reflect this.	✓
Note 21 – Financial Instruments	The holiday pay accrual has been included in Other payables amount included in Financial Instruments Disclosure. Per CIPFA Code, para 7.1.2.24 A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Holiday pay accrual does not arise from a contract that gives rise to a financial liability. As a result, this should not be included in the financial instruments disclosure.	✓
Note 22c. Reconciliation of Liabilities Arising from Financing Activities	The Council is required to disclose a reconciliation for lease liabilities between the opening and the closing balance, highlighting the cashflows in relation to lease principal repayment and non-cash movement which would include any additions, remeasurement and interest cost being highlighted specifically.	✓
Note 22c. Reconciliation of Liabilities Arising from Financing Activities	The Council is required to disclose a reconciliation for lease liabilities between the opening and the closing balance, highlighting the cashflows in relation to lease principal repayment and non-cash movement which would include any additions, remeasurement and interest cost being highlighted specifically.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 25 – Officers Remuneration	As part of our audit work over the officer remuneration bandings of employees receiving more than £50,000, we noted for multiple bandings the employee numbers entered being incorrect. Further to our discussion with the Council this was agreed as errors which has then been rectified in the final version of the accounts.	✓
	Additionally, the Council missed a senior officer from the disclosure in prior year. Following a change in structure of the officers within the Tri borough arrangement, the post for Director of Public health was filled by the officer from the Council however they were not disclosed in error. The Council have corrected this upon review and added the officer in the 23-24 financial year.	✓
Note 27 – Defined Benefit Schemes	<p>The Council omitted to include the impact of asset ceiling in opening liability balance. Per prior year signed Financial statements, this amount should be £1,290,750 and not £1,285,208 which was included in first draft of Financial Statements. We accordingly inquired the Council of this and noted that this was an error in the accounts. Accordingly, the Council has agreed to correct this disclosure as part final version of financial statements</p> <p>Moreover, the Council has changed the presentation of the designed benefit obligation reconciliation for LPFA pension scheme, whereby the amount for asset ceiling adjustment has been added to the liability figure now, unlike before where it was only appearing separately within the breakup of amounts recognised in the balance sheet as closing liability.</p>	✓
Note 34 – Contingent Assets and Liabilities	We challenged management on whether any consideration has been given to the Virgin Media case in relation to the Local Government Pension Scheme, in which regard a disclosure is required as a contingent liability highlighting a further potential liability to the Councils share of the pension fund. As confirmed from the Council, due to the uncertainty in predicting implications for the Council as confirmed by the actuary as well in their IAS19 report, this disclosure has not been provided for.	✗
Note 35- Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	<p>Since the Council disclosed the Fair Value of borrowings with PWLB as part of the Financial instruments note 21, therefore considering the requirements of the accounting standard IAS1, the Council is required to disclose it due to the estimation involved in its valuation accompanied by the fact that it is a material disclosure amount.</p> <p>Additionally, the standard requires a sensitivity analysis to this quantitative estimate as to the impact of the uncertainty i.e. How much does the Council think the Fair value estimate could vary based on the uncertain assumptions.</p>	✓
HRA Income and Expenditure statements	The Expenditure figures within the statement have been reclassified between the categories to ensure they are in line with the Councils accounting records. The Net cost for HRA services stays the same.	✓
Various minor casting/disclosure amendments	The accounts were also updated for minor presentation issues. None were material.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 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	Impact on general fund £'000
<p>From our work on bank payments completeness testing, we identified a net overstatement of capital expenditure by £1,570,886.</p> <p>The net impact is an overstatement which predominantly impacts AUC/PPE with the other side of the transaction having an impact on prepayments where the amount paid should have been recognised.</p> <p>The Council does not deem this to be material to require any further adjustments.</p>	Nil	<p>Dr Prepayments 1,571</p> <p>Cr Assets under Construction 1,571</p>	Nil	Nil
<p>Incorrect rental figures were used on one asset within an Investment Property asset. Were the correct figure used, the update would lead to a change in valuation of the asset from £7.7m to £8.9m. Since the differential is not material therefore it has not been adjusted for.</p>	Cr Interest and Investment income 1,162	Dr Investment Properties 1,162	Nil	Nil

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
We identified that the PFI liability is understated by £1m due to the fact that it is not explicitly mentioned in the models whether the contingent rent/indexation relates entirely to service charge or lease rental and hence for the calculation purposes as part of the IFRS-16 transition adjustment, our internal modelling team has applied the indexation change upon lease rental since 2015/16 when the contract change happened for which they have used a cumulative impact of 24.4% in relation to indexation applicable upon the rental charge. The misstatement is less than PM and hence no further work is performed.	Nil	Dr Right of use Asset 1,038 Cr PFI Liability 1,038	Nil	Nil
Overall impact of current year unadjusted misstatements	1,162	1,162	Nil	Nil

West King Street Renewal the Council's JV has recognised a £6.2m provision for penalty clauses that the Council may exercise. The Council has not recognised a corresponding debtor, as it is still evaluating whether to exercise this option. We note depending on the decision taken by management this could be deemed a misstatement.

Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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
<div>●</div> Medium	<p>HRA Beacons – valuation methodology</p> <p>It was noted that a cycle of desktop valuations was used in between the 5-yearly cycle of full valuations. As a result of this the management expert applied indexation representative of the market conditions to determine the closing value of the Council dwellings</p> <p>Although this is in line with the instructions sent to the valuer and with the reporting requirements, for a portfolio of council dwellings as large as the Councils’ (£1.2bn in 2024/25) the current methodology could be updated to reflect the number and size of the assets held by the Council whereby every year from the beacon population of properties a certain percentage gets inspected with comparable data used to determine its valuation at year end.</p> <p>The risk of using indexation is that;</p> <ol style="list-style-type: none">1) Indexation may not fully capture asset-specific factors such as location, condition, or unique characteristics, potentially leading to valuation inaccuracies.2) Indexing can overestimate or underestimate value if the property’s performance diverges from the average market.	<p>Management should consider more regular reviews of the beacon valuations using comparable data that better reflects the current market conditions in the intervening years between full revaluations.</p> <p>Management response</p> <p>The Council is currently working with our Valuers to implement an annual valuation schedule that would include a proportion of the HRA Beacons for annual inspection. For 2025/26 a full valuation which includes inspection of all the HRA Beacons is scheduled to take place. In subsequent years, a percentage of the HRA Beacons will be inspected and valued to ensure the overall values being applied to the Housing Stock is robust.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

Assessment	Issue and risk	Recommendations
<div> <div>●</div> <div>Medium</div> </div>	<div> <div>Related Parties</div> <div> <p>We identified a number of councillors who have not returned the annual related party declarations.</p> <p>We identified 5 related parties that went undisclosed by members. It is noted that the Councils’ control procedures worked as intended to identify these.</p> <p>No declarations have considered related parties of relevant person(s) such as Spouses, Family or other Partners as required per the accounting standard IAS 24.</p> <p>The risk associated to the above is that:</p> <ol style="list-style-type: none"> 1) Failure to obtain complete declarations breaches disclosure requirements and may result in material misstatement or incomplete disclosures in the financial statements. 2) Undisclosed related party transactions may affect the transparency and integrity of the accounts, which is particularly sensitive in the public sector, where governance and accountability are paramount. 3) Public scrutiny of councillor conduct is high. Incomplete declarations can undermine public trust and raise concerns about conflicts of interest or governance failures. </div> </div>	<div> <p>Management should strengthen the related party declaration process to ensure full compliance with IAS 24 and consider amending the related party declaration to specify the need to report related parties of relevant persons with explicit inclusion of close family members and partners in the declaration forms. Management should stress the importance to members of transparency to users of the financial statements.</p> <p>Moreover, management can implement a process of periodic cross-checks with Companies House, electoral registers, and other public records to identify undeclared interests.</p> <div> <div>Management response</div> <div> <p>We will review and update the process for 2025/26 onwards to ensure it more fully complies with IAS 24.</p> </div> </div> </div>

Action plan

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Low</p>	<p>Infrastructure Assets – Useful Asset Lives</p> <p>Within our testing of the Infrastructure assets, we noted various spend from prior years that was consolidated into one line in the FAR.</p> <p>Due to the varying assets within this spend, it may not be accurate to assign all assets within this line the same useful life.</p> <p>The risk associated to the above approach is that;</p> <ol style="list-style-type: none"> 1) Misstatement of depreciation charges due to inappropriate asset life assumptions. 2) Inaccurate carrying values of assets on the balance sheet. 	<p>Management should consider regular reviews of infrastructure assets to ensure the assigned useful life is representative of the asset it relates to, by disaggregate consolidated infrastructure spend into distinct asset components and assign appropriate useful lives based on asset type and expected service potential.</p> <p>Management response</p> <p>For 2025/26 the Council is implementing an exercise to further analyse Infrastructure Asset costs into constituent categories. These categories will then be assigned relevant useful economic lives and should therefore address this concern</p>
<p>●</p> <p>Low</p>	<p>Council Tax – Debtors and Creditors</p> <p>We have identified immaterial amount of debtors and creditors that are not being treated in line with the Councils internal policies regarding write offs.</p> <p>These relate to council tax balances due from or owed to residents who have since moved meaning payment is delayed or have gone into liquidation and hence chances of them repaying the debt owed to the Council is minimal.</p> <p>The risk associated with having these long-standing balances is that;</p> <ol style="list-style-type: none"> 1) Incorrect classification when the balances are unlikely to be recovered or repaid within 12 months 2) The provision may not be sufficient or appropriately calculated by not reflecting the actual recoverability of specific aged balances. 	<p>Management should consider the accounting treatment of these debtor and creditor balances and write off outstanding and overdue where applicable and in line the accounting policy.</p> <p>Management response</p> <p>The Council is in the process of undertaking an overall review of the current position on Council Tax and Business Rates debtors and creditors, and expects to have made progress in addressing the respective positions of each by 2025/26 year-end.</p>

Action plan

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Low</p>	<p>Joint Venture - Provision</p> <p>As part of our work on the investment in the Joint Venture we noted a provision of £6.2m recorded in the Joint Venture accounts.</p> <p>As this impacts the profit share the Council are entitled to, there is an inconsistency in the treatment between financial years.</p> <p>The risk associated is that the Investment in the JV by the Council might get impaired owing to the Councils share in its net assets falling below the amount invested as appearing in its separate financial statements, leading to overstatement of the balance in Councils financial statements .</p>	<p>Management should consider the treatment of the provision added to their Joint Venture accounts and the subsequent impact this has on the Council entitlement to the profit earned by the entity and recoverability of the balances owed to it by the JV as well as the impact of it on the amount appearing as Investment in its separate financial statements.</p> <p>Moreover, Inconsistencies in year prevent comparison across financial years and for users of the accounts.</p> <p>Management response</p> <p>The Council has provided the current (ie 2025/26 financial year) cashflow that covers the entirety of West King Street Renewal LLP's build phase. This cashflow forecast includes the £6m provision and contains a positive end position, with a forecast profit share between the two partners. The Council and A2 Dominion (the other 50% partner in the LLP) presently have £25m of equity each (£50m in total) invested in the LLP. On the basis the cashflow forecast remains positive, there is no need to impair the Council's equity investment for the 2024/25 accounts.</p> <p>This is a matter that is regularly reviewed, with considerable organisational governance in place to monitor the Campus project to conclusion and also manage the LLP, which has two LBHF representatives on its board. As the auditor has acknowledged, the levying of the liquidated damages by the Council on the LLP remains to be confirmed, which is why it has not been considered within the Council's accounts. This matter should be resolved during 2025/26 which is the year that should see practical completion of all buildings related to the Civic Campus. The selling of the 99 private residential units (which, together with sale of the commercial units to LBHF, drives the LLP's income) is expected to extend into 2026/27.</p>

Action plan

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Low</p>	<p>Property, plant and equipment - Reclassifications</p> <p>We have identified a reclassification completed in 2023/24 but transferred from AuC to Council Dwellings in 2024/25. As the properties were operational, and therefore tenantable in 2023/24, we consider the reclassification in 2024/25 to be inappropriate.</p> <p>The risk associated to the above is that:</p> <ol style="list-style-type: none"> 1) Delaying the reclassification to 2024/25 misstates the asset classification and potentially the depreciation charge in 2024/25 owing to the Councils policy of charging depreciating from the year after the addition. 2) The delay leads to the breach of recognition and measurement principles under IAS 16. 	<p>Management should consider applying greater challenge to the Estates Teams on delays occurring after the completion statements have been received.</p> <p>Additionally, Council could Implement a formal checklist or sign-off process for asset readiness to trigger reclassification.</p> <p>Management response</p> <p>The Council already adopts a robust process of confirming the completion of projects to better assess when completed assets become operational, so that the proper accounting treatments can be applied. We consider this to be an isolated case and we will continue to ensure rigorous and robust review processes.</p>
<p>●</p> <p>Low</p>	<p>Council's terms of engagement letter with the valuation expert not being RICS compliant</p> <p>The Council issued an instruction letter to their PPE valuation expert. Whilst it is good practice to have issue an instruction letter, this document is not equivalent to a RICS compliant terms of engagement letter.</p> <p>The risk associated with the above is that:</p> <ol style="list-style-type: none"> 1) Without a compliant engagement letter, the scope of work may be ambiguous, leading to disputes over what was agreed. 2) The expert may deliver something different from what the council intended, causing confusion or conflict. 	<p>Management should ensure that all future engagements with RICS-regulated professionals are supported by a RICS-compliant engagement letter.</p> <p>Management response</p> <p>The Council will review and revise its engagement letter to valuers to ensure the letter complies with RICS guidelines and CIPFA standards</p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Council’s 2023/24 financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report whereas one recommendation from the 2022/23 audit not addressed during 2023/24 remaining intact. We are pleased to report that management have implemented 2 of our recommendation whereas the one mentioned on this page remains to be actioned.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X Not yet addressed	<p>Journal entries control environment</p> <p>We have 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 control. However, we do not test every journal and there may be undetected fraud or error.</p> <p>In addition to a notification via email, users are alerted via a Teams notifications, informing them of the need to approve a journal. An automated two stage approach within the system should continue to be reviewed in partnership with our finance system provider.</p>	<p>This issue has not been resolved for the 2024-25 financial period. We have upheld this recommendation as a best practice IT control to demonstrate the segregation of duties. We recommend implementing an automated two-stage approach within the system to mitigate the risk of journals being posted without approval. We do note management have mitigating controls in place and all Journals tested followed this, therefore, we maintain this recommendation as low risk and a best practice point.</p> <p>We also note the Council is implementing a new ledger upgrade and given this we had not expected management to implement this point whilst on the old ledger.</p> <p>Management response</p> <p>The journal process will continue to be reviewed to see if two-stage authorisation is possible in the upgraded ledger system. Enhancements to the existing off-line process will also be reviewed.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<div>✓</div> <div>Action completed</div>	<p>Floor Plans on the Assets and maintenance of data used to perform valuation</p> <p>Our testing identified a few discrepancies between the site areas provided by the client and those used in the valuer's calculation of the Depreciated Replacement Cost (DRC) Assets. The Council has confirmed that the site areas (predominantly in respect of school and education assets) relied on legacy data which could, over time, become outdated, impacting on the computation of DRC asset valuation. This resulted in additional work by the valuer and audit team and an adjustment to the valuation of £6.2 million.</p> <p>In addition to this, data used in the valuation of an asset of £1.2 million could not be provided to support one of the assets revalued at the 31 March 2024.</p>	<p>This issue has been actioned during the 2024-25 financial period. We have been able to receive all GIA, site map and floor area data from the Estates Team and no issues have arisen in the course of our testing in this regard.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<div>✓</div> <div>Action completed</div>	<div>Valuation of Advertising Hoardings</div> <div>During the year, we identified that the Council’s experts have applied a single yield to all advertising hoardings with no allowance for Prime and Subprime. We note that the Council’s valuer picked up that due to the nature of the asset, there was very low levels of comparable sales data available for them. This creates a risk that the valuation of these assets is not accurate.</div>	<div>We have tested the advertising hoardings in the course of our revaluations work and have consulted our auditors expert, Lambert Smith Hampton to provide an assessment. We have identified no issues in relation to these assets.</div>

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR will be reported to you on 27 October audit committee

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have not identified any significant weaknesses in arrangements. Our 2024-25 Auditor's Annual Report accompanies this Audit Findings Report.

Independence considerations

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, and managers [and network firms]). In this context, there are no independence matters that we would like to report to you.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council or group 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 or investments in the Council 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 Council or group 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.
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 Council/group, 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.

Fees and non-audit services

The following pages sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year as well as the threats to our independence and safeguards have been applied to mitigate these threats. The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis. For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to London Borough of Hammersmith and Fulham. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	2024/25 Fees £	2023/24 Fees £	Other fees £	Threats Identified	Safeguards applied
Teachers Pensions	12,500 (pending appointment)	12,500		Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
Certification of Housing Capital receipts grant	10,000 (pending appointment)	10,000	We billed 10,000 in relation to our certification of the 2022-23 claim. This was billed in the 2024-25 financial year.	Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
DWP Certification Grant	TBC prior year £35,640 (pending appointment)	£35,640 (pending appointment)	We billed 32,400 in relation to our certification of the 2022-23 claim. This was billed in the 2024-25 financial year.	Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
CFO Insights Subscription	£12,500	£12,500		Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.

Please note for the DWP Certification grant the fee noted above is the core fee. As part of the DWP instructions if any errors are identified additional work on 40 cases is required for each error. This work can be time consuming due to its nature and detail. The engagement terms are that we charge £1,500 per day for this work.

Fees and non-audit services

Audit fees	Fee per Audit Plan	Final fee (Proposed)
Scale fee	£470,080	£470,080
Fees for external valuation experts. (Note per PSAA contract this work of experts is passed onto the Council at the cost charged to Grant Thornton UK LLP by our experts)	£8,500	£8,500
Additional work required in relation to implementation of IFRS 16. This fee requires PSAA approval and further detail of how this has been calculated can be found in Appendix D.	NA-as a new standard was not possible to determine complexity until receipt of draft accounts	£13,862
Total audit fees (excluding VAT)	£478,580	£492,442

Non-audit fees for other services	Core fee
Teachers Pensions	12,500 (pending appointment)
Certification of Housing Capital receipts grant	10,000 (pending appointment)
DWP Certification Grant	£35,640 (pending appointment)
CFO Insights Subscription	£12,500
Total non-audit fees (excluding VAT)	£70,640

The above fees are exclusive of VAT and out of pocket expenses.

The fees for the external audit work in the financial statements includes the scale fee and the charge for the additional valuations work- £478k. This is due to fee relating to additional work for the implementation of IFRS 16 being identified during the fieldwork stage of the audit, as these are subject to PSAA review the Council has not included this £14k of additional fees in the financial statements.

For non audit fees the Council has included the fees noted above. Please note these fees are based on the current discussions/prior costs of these certifications and for the 2024-25 certifications mentioned above and we have not formally engaged into all these services for the Council at the time of writing. However, given we have historically performed this work and are under discussion to do so we have presented this to the committee and considered this in our assessment of our independence for the 2024-25 external audit.

Grant Thornton UK LLP also acts as the statutory auditor of the Hammersmith and Fulham Pension Fund, which the Council is the administering authority of.





This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with 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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Councils accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

B. Our team and communications

Grant Thornton core team

Paul Cuttle
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Nick Halliwell
Audit Senior Manager

- Audit planning
- Resource Management
- Drafting key audit reports
- Performance management reporting

Muneeb Khan
Audit Manager

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Louis Barber
Assistant Manager

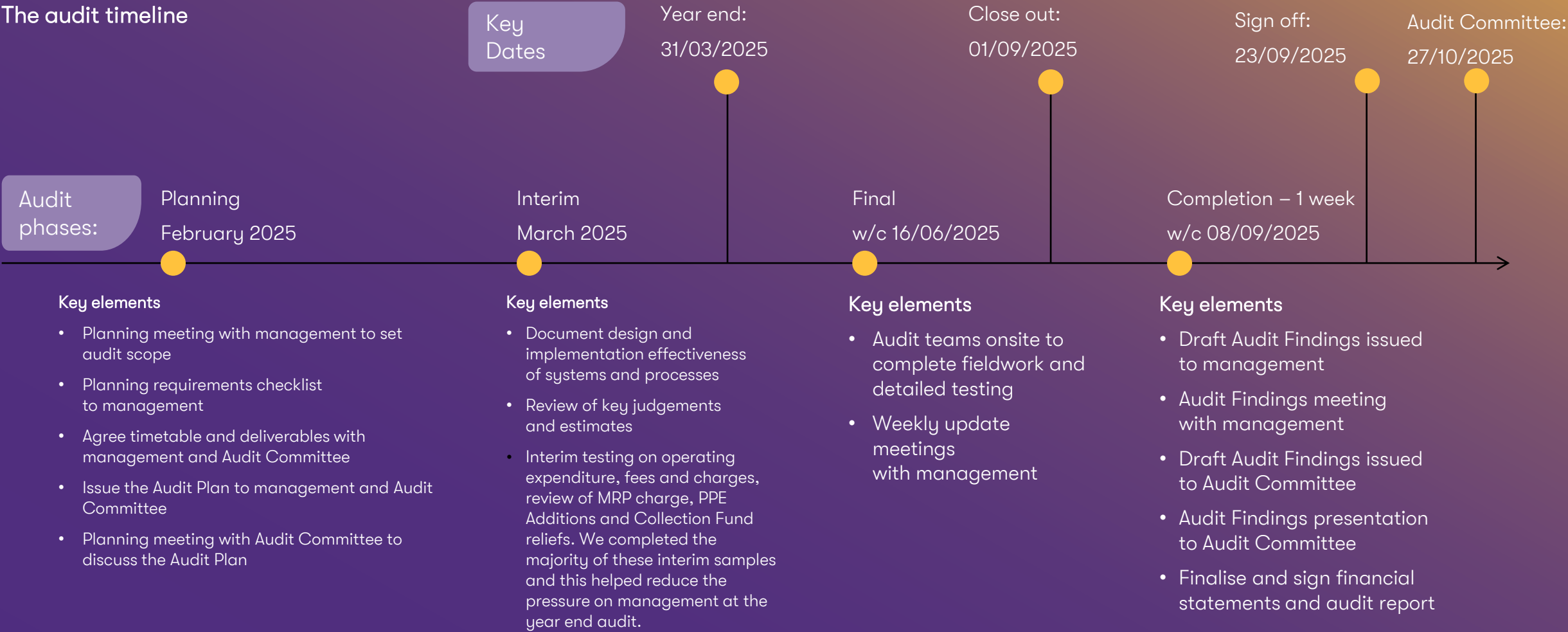
- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Service delivery		Audit reporting		Audit progress		Technical support	
Formal communications		• Annual client service review		• The Audit Plan		• The Audit Findings	
Informal communications		• Open channel for discussion		• Audit planning meetings		• Audit clearance meetings	
				• Communication of issues log		• Communication of audit issues as they arise	
						• Notification of up-coming issues	

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same was as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics

The audit timeline



D. Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	IFRS 16 First year Implementation work (TBC estimate)
Director	£428	2 hours- £856
Senior Manager/Manager	£236	37 hours - £8,732
Senior Auditor	£153	23 hours £3,519
Other staff	£117	15 hours £1,755
Total		£13,862

The above fees require review and approval prior to the completion of our audit. The fees are in addition following our audits completion subject to review by PSAA who will make a final determination.



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