

# **Audit Findings (ISA 260) Report for the London Borough of Hammersmith and Fulham Pension Fund**

Year ended 31 March 2025

27 October 2025

**London Borough of Hammersmith and Fulham Pension Fund**  
Town Hall, King Street  
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27 October 2025

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Dear Members of the Audit Committee

### **Audit Findings Report for London Borough of Hammersmith and Fulham Pension Fund for the 31 March 2025**

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

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](#).

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

**Matt Dean**

Key Audit Partner  
For Grant Thornton UK LLP

**Chartered Accountants**

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# Headlines and status of the audit

# Headlines

## Financial statements

### Introduction

These are the key findings and other matters arising from the statutory audit of the London Borough of Hammersmith and Fulham Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

### ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

### Audit Work

Our audit work was completed between mid-June and the end of September. Our findings are summarised on pages 39 to 47.

We have identified **£3.992 million** of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed in the Audit Adjustments section. Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively. The Audit Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management as a result of our audit work. These are set out in the Audit Adjustments section. Our follow up of recommendations from the prior year's audit are detailed in the Audit Adjustments section.

We faced some delays at the commencement of the audit in obtaining information from the Fund's pensions administration service organisation. We would like to record our appreciation for the assistance provided by the finance team in resolving this issue, and ensuring the audit was completed on time.

# Headlines

## Financial statements

### Audit Work - continued

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

- receipt of management representation letter
- review of the final set of financial statements;
- completion of engagement lead reviews and satisfactory resolution of any residual queries arising from this

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

Our anticipated opinion on the financial statements will be unmodified

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report at the same time as we issue our final audit opinion on the Pension Fund financial statement as noted above. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. We anticipate issuing our opinions before this date but if we are unable to do so the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website.

We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until their work on Whole of Government Accounts, any objections and our work on the Annual Report has been completed.

# Headlines

## Local & National Context – Administration and Governance

The total membership of the London Borough of Hammersmith and Fulham Pension Fund (the ‘Fund’) was 17,623 people as at the end of March 2025. Of this number around one quarter are active employees who still contribute to the scheme. In total, there were 50 active employers covered by London Borough of Hammersmith and Fulham Pension Fund at the end of March 2025.

The Fund has continued to work through the processes for connecting to the Pensions Dashboard ecosystem and is on track to connect to the Pensions Dashboard by the public sector staging date of 31 October 2025. The service itself will not be released to the general public until a later date. Schemes will be given at least 6 months notice before the public go-live date.

The Fund has continued to implement the McCloud remedy. No significant issues have been encountered. The Fund has implemented the Remedy in respect of active scheme members and all retirements that have occurred since the implementation date (i.e. 1 October 2023) have been processed on this basis.

At the time of writing, the Fund, is currently working on the 2025 Annual Benefit Statements (ABS), which for eligible active and deferred scheme members must be provided by 31 August 2025, and these will reflect the estimated underpin protection as provided for by the McCloud Remedy.

## Local & National Context – Investments and Funding

The net investment assets of the London Borough of Hammersmith and Fulham Pension Fund as at the end of March 2025 amounted to **£1,408.4 million** (31 March 2024: **£1,360.9 million**). The 2022 triennial valuation was undertaken by Hymans Robertson, and showed that the Fund had assets sufficient to cover 120% of the accrued liabilities as at 31 March 2022. The 2025 triennial valuation is now well progressed with cleansed information being provided to the actuary in August. Preliminary results are expected in the autumn, and the anticipation is that funding levels across the sector will improve.

At the end of May 2025, the Government published its response to the ‘Fit for the Future’ consultation. Its key proposals include:

- **reforming asset pooling** - transferring all assets to the management of the pool alongside taking principal investment advice from the pool and delegating implementation of the investment strategy to the pool,
- **boosting investment in local areas and regions** - setting out the approach to local investment in the Investment Strategy Statement and working with relevant Strategic Authorities to identify suitable local investment opportunities, and
- **strengthening the governance of LGPS Administering Authorities and LGPS pools** - undertaking an independent governance review once in every three-year period, have an independent advisor without voting rights, rather than an independent member of a committee and prepare strategies on governance, knowledge and training and administration.

The minimum standards for pooling and the independent governance review will be introduced in the Pension Schemes Bill which has just entered the Committee stage in Parliament. Subsequent regulations and statutory guidance will provide further detail on implementation of all the new requirements.

The Fund is in the London CIV pool and already well advanced with pooling. As at 2024/25 year end, pooled funds now represent **£846 million** of the funds **£1,408.4 million** net investment assets, i.e. 60% of the funds net investment assets. We will track progress against the other proposals once regulations and guidance are finalised.



# Financial statements

# Financial statements

## Overview of the scope of our audit

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

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

For the London Borough of Hammersmith and Fulham Pension Fund, the Audit Committee fulfil the role of those charged with governance. There is a separate Pension Committee and Pension Board which considers and decides all matter pertaining to the investment, administration and management of the Pension Fund including review of the Pension Fund Annual Report and is part of the overall member oversight process.

## Audit approach

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

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

We have not needed to alter our audit plan, as was communicated to you on 9 June 2025.

# Financial statements (continued)

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Committee meeting on 27 October 2025, as detailed in Appendix E.

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

# Materiality

# Our approach to materiality

As communicated in our Audit Plan dated 9 June 2025, we determined materiality at the planning stage as **£23.8 million** based on 1.75% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements. Upon reviewing the draft financial statements, we have concluded that no amendments to the materiality figure will be necessary. However, we have revisited the performance materiality determined at planning stage and revised our threshold from **£15.9 million** to **£17.85 million**.

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

## Basis for our determination of materiality

- We have determined materiality at **£23.8 million** based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.
- We have used 1.75% of gross investment assets as at 31 March 2024 as the benchmark for our materiality.
- Our materiality remains consistent with the planning figure established based on the audited gross investment assets as of 31 March 2024. We assessed the modest year-on-year increase in investments, within the draft financial statements at 31 March 2025, and concluded that it does not warrant a revision of materiality.

## Performance materiality

- We have determined performance materiality at **£17.85 million**, this is based on 75% of headline materiality. We have had to revise performance materiality from the planned level reported from the audit plan from **£15.9 million** to **£17.85 million**.

## Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at **£7.15 million**. This is based on 10% of gross expenditure (in the fund account) as at March 2024. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied. We have not revised the fund account materiality from the planned level.

## Reporting threshold

- We will report to you all misstatements identified in excess of **£1.19 million**, in addition to any matters considered to be qualitatively material.

# Our approach to materiality (continued)

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

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	23,800,000	Headline Materiality for planning equates to 1.75% of your gross investment assets as at 31 March 2024. In determining materiality, we have considered the business environment, industry developments, financial stability and reporting requirements for the financial statements.
Performance materiality	17,850,000	Performance Materiality for the Net Asset Statement equates to 75% of the Headline Materiality. In determining the 75% measurement percentage, we considered the number of prior-year control recommendations, misstatements and the control environment among other factors.
Specific materiality for the fund account	7,150,000	Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the Fund Account) as at 31 March 2024. The specific materiality has been determined to account for the complexity of contribution and benefit structures.
Specific performance materiality for the fund account	5,362,500	Performance Materiality for the Fund Account equates to 75% of the Specific Materiality for the Fund Account.
Trivial matters - reporting threshold	1,190,000	Triviality for the Fund Account equates to 5% of Headline Materiality.

# Overview of audit risks

# Overview of audit risks

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.

Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks (SCOT+).

Material only are material financial statement line items not associated with risks of material misstatement.

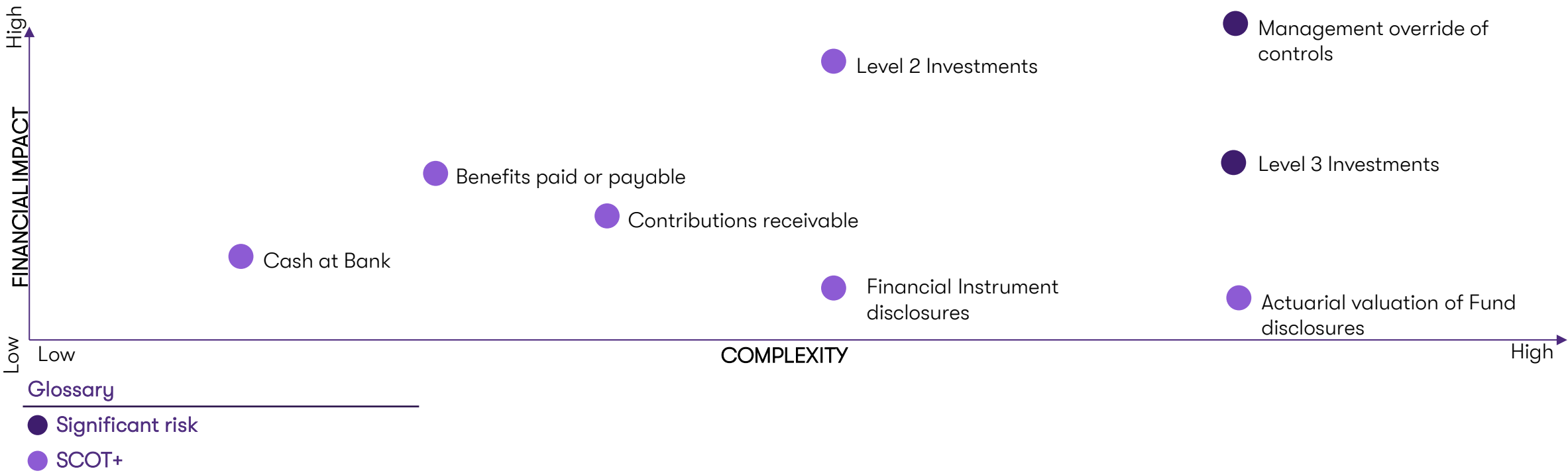
Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

In the graph overleaf, we have presented the, significant risks, SCOT+, and material only and other risks relevant to the audit.





# Overview of audit risks



# Overview of audit risks

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	↔	✓	Medium	●
Valuation of Level 3 Investments	Significant	↔	✗	High	●
Valuation of Level 2 Investments	SCOT+	↔	✗	Medium	●
Actuarial present value of promised retirement benefits	SCOT+	↔	✗	Medium	●
Contributions receivable	SCOT+	↔	✗	Low	●
Benefits payable	SCOT+	↔	✗	Low	●
Financial instrument disclosures	SCOT+	↔	✗	Low	●
Cash and cash equivalent	SCOT+	↔	✗	Low	●

- ↑

Assessed risk increased 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 changes to disclosures within the financial statements

# Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

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

Risk identified	Audit procedures performed	Key observations
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Evaluated the design and implementation of relevant controls around the financial reporting process.</li><li>2. Analysed the journals listing and determined the criteria for selecting high risk journals. Using our data analytics software ('Inflo'), we have interrogated journal entries, with a particular focus on those journal entries that exhibited unusual characteristics. Journal entries identified as high risk were then tested to supporting documentation.</li><li>3. Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness, corroborating them to sufficient and reasonable evidence.</li><li>4. Gained an understanding on, and challenged management's key accounting estimates, judgements and decisions; considering whether these judgements and estimates are individually or cumulatively indicative of management bias.</li><li>5. Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li><li>6. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity.</li></ol>	<p>Our review has not identified any material adjustments or findings related to management override of controls. We are satisfied that the judgments made by management are appropriate and based on a consistent methodology. However, we have identified two control recommendations for your consideration:</p> <p><b>Access Restrictions:</b> Senior personnel should not have access to post journal entries to the ledger. While no postings were made by senior management during the audit year, this ongoing access presents an increased risk of management override.</p> <p><b>Two-Stage Approval Process:</b> Implement an automated two-stage approval process for journal entries to ensure adequate review prior to posting. Although there is a manual approval process outside the system, there remains a risk that journals could be posted without proper authorization.</p>

Significant

# Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of level 3 investments (£267 million)</b></p> <p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (£267 million) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.</p> <p><b>Significant</b></p> <p>Relevant assertion(s) Valuation, Existence</p> <p>Applicable assertion(s) Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> <li>1. Obtained an understanding of management's processes for valuing Level 3 investments;</li> <li>2. Evaluated the design and implementation effectiveness of the associated relevant controls;</li> <li>3. Obtained and reviewed the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements;</li> <li>4. For a sample of Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compared these to the fund manager reports and accounts stated valuations;</li> <li>5. Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases, we have reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against;</li> <li>6. Reviewed purchase and sale transactions of the investment near the reporting date where appropriate;</li> <li>7. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;</li> <li>8. Reviewed the methods and assumptions applied by the Fund managers;</li> <li>9. Reviewed management's classification of the assets; and</li> <li>10. Obtained and reviewed investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.</li> </ol>	<p>Based on our review, we believe that the judgments made by management regarding investment valuations are appropriate and consistently applied. Our assessment reflects a thorough evaluation of the processes and assumptions used in preparing the financial statements.</p> <p>However, we identified an understatement of investment balances totalling <b>£3.993 million</b>. This discrepancy arose as management used the December 2024 valuations instead of the March 2025 valuations, due to timing reasons. We have detailed this issue on page 40.</p>

# Significant risks (continued)

Risk identified	Audit procedures performed
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p> <p>We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We have tested all material revenue streams as part of our audit. We have identified no issues from this work.</p>
<p><b>The expenditure cycle includes fraudulent transactions</b></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. 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>We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate expenditure recognition;</li> <li>• opportunities to manipulate expenditure recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p> <p>We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We have tested all material expenditure streams as part of our audit. We have identified no issues from this work.</p>

# Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of level 2 investments (£1,114 million)</b></p> <p>The Pension Fund has investments in pooled equity and property funds that in total are valued on the net assets statement as at 31 March 2025 at <b>£1,114 million</b>.</p> <p>The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management make use of evaluated price feeds, with the exception of the valuation of the pooled property investments which is based on evaluation of market data.</p> <p><b>SCOT+</b></p> <p>Relevant assertion(s) Valuation, Existence</p> <p>Applicable assertion(s) Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> <li>Challenged management’s judgement (for a sample – where applicable) by: <ol style="list-style-type: none"> <li>Comparing the valuation to the confirmation received from the investment manager and custodian.</li> <li>Comparing the valuation to quoted prices at year-end where available.</li> <li>Comparing the valuation to purchase and sale transactions near the reporting date where appropriate and available.</li> <li>Reviewing the guidelines under which the investment has been valued.</li> </ol> </li> <li>For investments where we were unable to obtain quoted prices from independent sources, and in instances where no purchase or sale transactions occurred near the reporting date, we have taken the necessary steps to ensure accurate valuation. Specifically, we obtained and reviewed the audited financial statements for these investments and conducted a comparison with the unit prices disclosed therein</li> <li>Reviewed management’s classification of level 2 in the fair value hierarchy.</li> </ol>	<p>Our audit procedures provided sufficient assurance regarding the accuracy and reliability of the investment valuations reported, and that they have been determined using an appropriate methodology.</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Actuarial present value of promised retirement benefits</b></p> <p>The disclosure of the Fund's actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. The present value of retirement benefits a liability of <b>£1.178 billion</b> and fair value of scheme assets of <b>£1.413 billion</b> creating a net asset of <b>£235 million</b> as at 31st March 2025). The Pension Fund engage the services of a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. As a result, it has been identified as a significant class of transactions.</p> <p><b>SCOT+</b></p> <p>Relevant assertion(s) Valuation</p> <p>Applicable assertion(s) Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> <li>Updated our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated;</li> <li>Challenged management's judgement by: <ol style="list-style-type: none"> <li>Evaluating the instructions issued by management to their actuary (management's expert).</li> <li>Assessing the competence, capabilities and objectivity of management's expert.</li> <li>Assessing the accuracy and completeness of the information provided by the Fund to their actuary.</li> <li>Reviewing the report of the consulting actuary (auditor's expert) for their assessment of management's expert and performed the additional procedures noted in the report where appropriate.</li> <li>Ensuring the disclosures and the actuarial report received from the actuary were consistent.</li> </ol> </li> <li>Evaluated the design and implementation of relevant controls around management's process for the actuarial present value of promised retirement benefits disclosure.</li> </ol>	<p>The disclosures and methodologies employed by the Pension Fund are considered appropriate and consistent with the required standards. However, two minor issues were noted relating to note 18a Actuarial present value of promised retirement benefits:</p> <ul style="list-style-type: none"> <li>The disclosure note was prepared using incorrect units.</li> <li>The omission of a necessary footnote disclosure.</li> </ul> <p>Overall, we found no material adjustments or significant findings related to the actuarial present value of promised retirement benefits disclosure (IAS 26).</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Cash and cash equivalents</b></p> <p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement.</p> <p>SCOT+</p> <p>Relevant assertion(s) Existence, Completeness</p> <p>Applicable assertion(s) Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Obtained direct confirmations for all bank accounts and compared these to amounts used in bank reconciliations and the general ledger.</li><li>2. We have not identified any material reconciling items, therefore no testing to confirm clearance through the bank account after the year-end was required.</li><li>3. For invested cash balances, agreed the valuation to the confirmation received from the custodian</li><li>4. Evaluated the design and implementation of relevant controls around management’s process for the cash and cash equivalents balance.</li></ol>	<p>Our work on cash and cash equivalents is complete.</p> <p>We have noted no material adjustments or findings in relation to the cash and cash equivalents balance.</p>



# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Contributions receivable</b></p> <p>Contributions from employers and employees represents a significant percentage of the Fund’s revenue. As a result, it has been identified as a significant class of transactions.</p> <div>SCOT+</div> <p>Relevant assertion(s)</p> <p>Completeness</p> <p>Applicable assertion(s)</p> <p>Accuracy, Occurrence, Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"><li>1. Evaluated management’s accounting policy for the recognition of contributions.</li><li>2. Evaluated the design and implementation of relevant controls around management’s process for the contributions receivable balance.</li><li>3. Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li><li>4. Tested relevant member data to gain assurance over management information to support a substantive analytical review, ensuring that any unusual trends are satisfactorily explained.</li><li>5. Tested a sample of transactions from the bank statement post-year-end to identify whether they had been recorded in the appropriate period.</li></ol>	<p>Our work on contributions receivable is complete.</p> <p>We have noted no material adjustments or findings in relation to the contributions receivable balance.</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Financial instrument disclosures</b></p> <p>Financial instrument disclosures provide crucial information to allow users to understand and evaluate:</p> <ul style="list-style-type: none"> <li>The entity’s financial position and performance;</li> <li>The nature and extent of risks from financial instruments during, and at the close of, the reporting period; and</li> <li>How the Fund manages these risks.</li> </ul> <p>SCOT+</p> <p>Relevant assertion(s) Accuracy, Presentation</p> <p>Applicable assertion(s) Completeness</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> <li>1. Evaluated management’s accounting policy for financial instruments.</li> <li>2. Evaluated the design and implementation of relevant controls around management’s process for financial instruments.</li> <li>3. Evaluated the instructions issued by management to their management expert for these disclosures.</li> <li>4. For all material financial instrument disclosures confirmed that they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments.</li> </ol>	<p>Our review of the financial instruments disclosures is now complete. We did not identify any significant issues during this process. However, a few minor issues were identified. The most significant was:</p> <p><b>Disclosure Misstatement in Note 15a:</b> The second paragraph of Note 15a outlines several recategorizations that were retrospectively applied as of 31 March 2024. Management believes that the reclassification is no longer necessary, and we concur with this assessment, indicating that the previous categorization will be reinstated.</p> <p>However, management has also undertaken a reclassification of one asset from ‘Infrastructure’ to ‘Property Fund’ to more accurately reflect the asset's underlying characteristics. This change will affect the comparative disclosure figures for the financial year 2023-24. Consequently, a prior period adjustment will be recorded to address this matter. This has been reported in disclosure misstatement page 41.</p> <p>The other minor disclosure amendments to financial instruments have been detailed on pages 41 and 42.</p>

# Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p><b>Benefits payable</b></p> <p>Pension benefits payable represents a significant percentage of the Fund’s expenditure. As a result, it has been identified as a significant class of transactions.</p> <p><b>SCOT+</b></p> <p>Relevant assertion(s)</p> <p>Accuracy</p> <p>Applicable assertion(s)</p> <p>Completeness, Occurrence, Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>As part of our audit procedures, we have:</p> <ol style="list-style-type: none"> <li>1. Evaluated management’s accounting policy for the recognition of pension benefits expenditure.</li> <li>2. Evaluated the design and implementation of relevant controls around management’s process for the benefits payable balance.</li> <li>3. Tested a sample of benefits payable to source data to gain assurance over their accuracy and occurrence.</li> <li>4. Tested a sample of lump sums and associated individual pensions in payment by reference to member files.</li> <li>5. Tested relevant member data to gain assurance over management information to support a substantive analytical review, ensuring that any unusual trends are satisfactorily explained.</li> <li>6. Tested a sample of transactions from the bank statement post-year-end to identify whether they had been recorded in the appropriate period.</li> </ol>	<p>Our work on benefits payable is complete.</p> <p>We have noted no material adjustments or findings in relation to the benefit payable balance.</p>

# Other findings

# Other findings – key judgements and estimates

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

## Summary of management's approach

### Level 3 investments - £267 million

The Pension Fund has Level 3 investments in the following:

- Private equity totalling **£150,000** of the net assets statement at year-end
- Infrastructure investments totalling **£94 million** of the net assets statement at year-end
- Illiquid alternatives investments totalling **£173 million** of the net assets statement at year-end

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

## Audit comments

In response to management's approach, we have:

1. Completed an assessment of management's expert – the investment manager and custodian
2. Ensured consistency of the investment management report with the financial statements
3. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)
5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts

*continued overleaf...*

# Other findings – key judgements and estimates (continued)

## Audit comments (continued)

6. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate)
7. Consider the completeness and accuracy of the underlying information used to determine the estimate
8. Considered the impact of any changes to valuation method from the prior period

Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements.

From the work performed, we are satisfied that the judgements made by management regarding the valuation of investments are appropriate and have been determined using a consistent methodology. This assessment reflects our thorough evaluation of the processes and assumptions employed by management in preparing the financial statements.

However, we identified an understatement of investment balances totalling **£3.993 million**, caused by timing differences. This discrepancy results from relying on the most recent investment statements dated 31 December 2024, leading to a misalignment of reported values. We have detailed this issue on page 40.

## Assessment

- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious. Refer to the unadjusted error described above.

## Assessment Key

- [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

# Other findings – key judgements and estimates (continued)

## Summary of management's approach

### Level 2 investments - £1,114 million

The Pension Fund has Level 2 investments in quoted UK and overseas bonds, pooled long lease property funds and pooled investments (equity and fixed income funds), which total **£1,114 million** on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

## Audit comments

*While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.*

In response to management's approach, we have:

1. Completed an assessment of management's expert – the investment manager and custodian
2. Agreed valuation of the investment and number of units held to confirmation received from investment manager
3. Agreed valuation of the investment and the number of units held to the confirmation received from the custodian
4. Obtained purchase and sale transactions in respect of the investment near the reporting date, compare the transaction price to the price at the reporting date, investigate any non-trivial differences and evaluate any errors
5. Obtained and reviewed the audited financial statements and compare the unit price disclosed and investigate significant fluctuations

*continued overleaf...*

# Other findings – key judgements and estimates (continued)

Audit comments (continued)
<p>6. Review management's classification of these assets in the Fair Value Hierarchy</p> <p>7. Checked that the investment has been valued in accordance with the latest International Private Equity and Venture Capital Valuation (IPEV) guidelines, or other appropriate guidelines</p> <p>Our audit procedures provided adequate assurance regarding the accuracy and reliability of the investment valuations reported, ensuring compliance with relevant standards. We are satisfied with the disclosure of Level 2 investments within the pension fund accounts are fairly stated.</p>

Assessment
<p>● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>

## Assessment Key

- [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



# 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.

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 (General Ledger)	ISAE 3402 report review from Hampshire County Council who provide this service for the Pension Fund	●[Green]	● [Green]	● [Green]	● [Green]	Not applicable
UPM (Pensions Administration System)	ISAE 3402 report review	●[Green]	● [Green]	● [Green]	● [Green]	Not applicable

## 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
1	Matters in relation to fraud	<ul style="list-style-type: none"> <li>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.</li> </ul>
2	Matters in relation to related parties	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> <li>We have identified delays in the declarations submitted by members and we recommend that the Council implements measures to strengthen its controls around the declaration process to ensure timely compliance. The recommendation will be made in the London Borough of Hammersmith and Fulham Council's Audit Findings Report, but remains relevant to the Pension Fund.</li> <li>Owing to the delay in members submitting declarations, one undisclosed interest was not captured by the Council. We concluded that as there were no transactions between this organisation and the Pension Fund, no related party disclosures were required for the accounts, but we continue to recommend that members update declarations on a more timely basis.</li> </ul>
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> <li>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.</li> </ul>
4	Written representations	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Pension Fund, which is included in Appendix D.</li> <li>Specific written representations will be necessary for the two prior period adjustments (PPAs), namely the disclosure of fund manager expenses and classification of investments in Note 15a, to ensure clarity and accountability in the financial reporting process.</li> </ul>
5	Confirmation requests from third parties	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent.</li> <li>We wrote to those solicitors who worked with the Pension Fund during the year to confirm the completeness of provisions and contingent liabilities. All responses have now been received.</li> </ul>
6	Disclosures	<ul style="list-style-type: none"> <li>We reviewed the accuracy and completeness of all disclosure notes in the accounts. Several minor errors/omissions were identified. We have summarised these on Page 41 to 42 (Disclosure Misstatements).</li> </ul>
7	Audit evidence and explanations	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>

# Other communication requirements (continued)

## Going Concern

### Our responsibility

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

### Commentary

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.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

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.

# Other communication requirements (continued)

## Going Concern

### Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# Other responsibilities

Issue	Commentary
Other information	<p>The Pension Fund is administered by London Borough of Hammersmith and Fulham (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Some inconsistencies were identified in the draft Pension Fund Annual Report, however these primarily related to adjustments arising from the audit, and none of them were material. Management have made the appropriate amendments and we therefore propose to issue our ‘consistency’ opinion on the Pension Fund’s Annual Report alongside our opinion on the Pension Fund accounts within the Council’s Statement of Accounts.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>

# Audit adjustments

# Unadjusted misstatements

Throughout the course of our audit fieldwork, we found no adjusted misstatements. This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total net assets per final accounts					1,413,431	
1	Understatement of investment balances attributed to timing differences identified between the value of Level 3 investments disclosed in the financial statements and the capital statements as at 31 March 2025.		[3,993]	3,993		3,993	Timing difference, immaterial
	Total net assets – recalculated to include unadjusted misstatements					1,417,424	



# Disclosure misstatements

Disclosure	Detail	Adjusted?
<b>Throughout the financial statements</b>	Several minor audit amendments, relating to narratives within disclosure notes, were identified. All of these were corrected by management.	✓
<b>Note 9:</b> Management expenses	The investment management expenses note lacks analysis by investment manager and investment type, representing a material omission of a requirement outlined in the Code. This will have impact on the comparative disclosure figures for Financial Year 2023-24. As a result, a prior period adjustment will be recorded to address the issue.	✓
<b>Note 10:</b> Investment income	In the draft statement of accounts, management did not include an analysis of investment income, in the similar manner as done for investments in Note 12 as it excluded Private Equity/ Infrastructure. This will also be updated for the prior-year comparatives.	✓
<b>Note 12:</b> Reconciliation of movement in investments	Management has revised the disclosure note to provide a breakdown for pooled investment vehicles in terms of equities, bonds and other based on the CIPFA Code requirements.	✓
<b>Note 14a:</b> Valuation of financial instruments carried at fair value	The disclosure of financial instruments carried at fair value has been disclosed as a one line and not as per major asset classes of the Investments in line with note 13.	✓
<b>Note 14c:</b> Reconciliation of fair value measurements within level 3 investments	1. The Overseas venture capital is disclosed with a closing balance of <b>£34.918 million</b> . However, it should have read Overseas Infrastructure. 2. The reconciliation of the Level 3 investments have not been disclosed for the prior year comparatives. Additionally, there is no disclosure of prior year comparatives for the sensitivity analysis of level 3 assets in Note 14d.	✓
<b>Note 15a:</b> Classification of financial instruments	The second paragraph of Note 15a, in the draft accounts, outlined several recategorizations of investments between 'UK' and 'Overseas', that were also retrospectively applied for the prior-year comparatives. During the course of the audit, management later took the view that this reclassification was not necessary, and we concurred with this assessment. The previous categorisation basis for these investments will be reinstated.  However, as part of this work, management did identify the misclassification of one asset, recorded previously as an 'Infrastructure' investment, instead of the more appropriate 'Property' investment with a value of <b>£73.9 million</b> in the current year and <b>£79 million</b> in the prior-year. This change will affect the comparative disclosure figures for the prior year. Consequently, a prior period adjustment will be recognised in the final accounts.	✓

# Disclosure misstatements

Disclosure	Detail	Adjusted?
<b>Note 15a:</b> Classification of financial instruments	The debtors balance disclosed in Note 15a: financial instruments includes "Contributions receivable" of <b>£3,127k</b> (PY: <b>£2,896k</b> ). Also, the creditors balance disclosed in note 15 includes benefits payable of <b>£846k</b> (PY: <b>£719k</b> ). These are not financial instruments.	✓
<b>Note 16:</b> Nature and extent of risks arising from financial instruments	1. Under price risk - The current year value of <b>£1,308,705k</b> is inconsistent with the value disclosed in note 15a <b>£1,380,705k</b> . 2. Enhancement of the note to include a sensitivity analysis for USD given that this is a currency which the Fund has significant exposure to.	✓
<b>Note 17:</b> Contingent liabilities and contractual commitments	Variance in Contractual Commitment amount of Quinbrook Renewable Infrastructure of amount <b>£2,867,040</b> . The correct amount of commitment should be <b>£30,956k</b> instead of <b>£33,823k</b> .	✓
<b>Note 21:</b> Additional voluntary contributions (AVC)	Management has not updated the additional voluntary contributions in the draft accounts for 2024/25. Consequently, the additional voluntary contributions have been carried forward unchanged from the 2023/24 accounts.	✓
<b>Note 22:</b> Related parties	Management had not updated the Key Management Personnel disclosure for the 24/25 draft accounts. In the 24/25 draft accounts the Key Management Personnel disclosure was carried forward and the same from the 23/24 accounts.	✓

# Impact of unadjusted misstatements in the prior year

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total net assets – recalculated to include unadjusted misstatements identified in the current year					1,417,424	
1	<b>Variances on Level 3 Investments</b> Investment was understated in value by <b>£1.06 million</b> . This was due to timing differences in the availability of valuation information from the Fund Manager.	-	[1,060]	1,060	-	1,060	Management did not consider this variance to be material for the 2023/24 accounts. This misstatement is covered by updated valuations in 2024/25.
2	<b>Variances on Level 2 Investments</b> Level 2 investment was understated in value by <b>£1.61 million</b> . This was due to timing differences in the availability of valuation information from the Fund Manager.	-	[1,608]	1,608	-	1,608	Management did not consider this variance to be material for the 2023/24 accounts. This misstatement is covered by updated valuations in 2024/25.

# Impact of unadjusted misstatements in the prior year (cont'd)

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
3	<b>Variances on Management Expenses</b>						
	Management expenses identified 1 sample out of 5 where the fees coded to 2023-24 had been overstated. This was due to timing differences in the availability of transaction fees information from the Fund Manager. The extrapolated misstatement is <b>£3.291 million</b> . Note that this is an extrapolation to identify the potential error.	3,291 Change in market value	[3,291] Managemen t expenses	-	-	Nil	Management did not consider this variance to be material. As it was an extrapolated immaterial error, it has not been adjusted for. This was a classification error in 2023/24, and thus has not been adjusted for in 2024/25.
	<b>Total net assets – recalculated to include unadjusted misstatements identified in both the prior and current year</b>					1,420,092	

# Action plan

We have identified 1 recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2025/26 audit. The matter reported here is 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
1	● [Green]	The Fund’s contract with its Custodian, Northern Trust, ended in September 2021. The Fund has confirmed that it is currently in the process of putting in place a contract before the end of the financial year.	<p>We recommend that management ensure that the contract with its Custodian is in place as soon as possible.</p> <p><b>Management response</b></p> <p>The mini-competition for the award of the global custodian contract has now been completed for the three Tri-Borough funds as a shared service. The new agreement between Northern Trust and the Tri-Borough was executed on 16 September 2025.</p>

Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

# Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Implemented?	Issue and risk previously communicated	Update on actions taken to address the issue
1 ● [Amber]	→	<p><b>Journal entries control environment</b></p> <p>We identified through our review of the journal entry control environment that:</p> <ul style="list-style-type: none"> <li>• Senior personnel are registered as managers and are theoretically able to post non-balance sheet journal entries</li> <li>• There is no automated authorisation process for journal entry postings in place.</li> </ul> <p>We have not identified from our testing, either in 2023/24 or 2024/25, any material misstatements or indications of management override of controls. However, we do not test every journal and therefore there may be undetected fraud or error. Management is satisfied that compensatory controls exist, and budget monitoring processes would identify any material instances of unusual activity.</p>	This recommendation has not yet been implemented. We acknowledge that the Fund is content in tolerating this risk, and thus we will not continue raising this recommendation going forward. We are satisfied that complimentary controls are in place, and that they are reasonable. No issues have arisen in our audit work as a result of these deficiencies.
2 ● [Amber]	✓	<p><b>Schools' Contributions mismatch</b></p> <p>In our review of the Pension Fund's reconciliation to gain assurance on the occurrence of contributions, we identified a <b>£2.2 million</b> variance between the contribution returns provided by the schools and the actual amount paid for contributions during the year. Upon discussion with the management, this is caused by the poor quality of returns received from the schools.</p>	A comprehensive listing of schools contributions was provided during the audit, which includes a breakdown of contributions on an employee basis. Upon our assessment, we are satisfied that this listing accurately breaks down the administrative contributions and reconciles effectively with the remittances.

## Assessment:

- ✓ Action completed
- Work in progress / Partially addressed
- ✗ Not yet addressed

## Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

# Follow up of prior year recommendations (cont'd)

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Implemented?	Issue and risk previously communicated	Update on actions taken to address the issue
3 ● [Amber]	✓	<b>Bank Reconciliation</b> During the 2023/24 audit, we identified that bank account reconciliations were not being undertaken as part of the financial process. We acknowledge that the cash book balance in the general ledger and the bank statement at year-end agreed. Despite this, we would expect that the year-end reconciliation is retained for audit purposes.	We have reviewed the year-end bank reconciliation and are satisfied that it has been completed accurately by management. Additionally, we accept management's response from the prior year regarding the monthly reconciliations being treated as a live document. Management has adopted our recommendation to formalise the year-end reconciliation process.
4 ● [Green]	✓	<b>Information Technology (IT) environment and controls</b> We identified through our review of the IT control environment that: <ul style="list-style-type: none"> <li>• Password complexity settings were configured on UPM but were not in line with best practice, and</li> <li>• Minimum password age had been set to 0.</li> </ul>	We are satisfied that our review of IT applications indicates that password-related recommendations have been effectively addressed and updated by management, enhancing overall security measures.

## Assessment:

- ✓ Action completed
- Work in progress / Partially addressed
- ✗ Not yet addressed

## Assessment key:

- [Red] High – Significant effect on financial statements
- [Amber] Medium – Limited effect on financial statements
- [Green] Low – Best practice

# **Independence considerations**



# Independence considerations (continued)

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 Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's committees, 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 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 table sets out the total fees for audit services that we have been engaged to provide or charged from the beginning of the financial year to conclusion of the audit.

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 Pension Fund. The table below summarises all audit services which were identified. No services, other than this audit of the Pension Fund, were identified.

Audit fees	£
Audit of Pension Fund	97,945
<b>Total</b>	<b>97,945</b>





The above fees are exclusive of VAT and out of pocket expenses. The fees agree to the financial statements.

# Appendices

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit	●	
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 Fund's 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 Report
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

**Matt Dean**  
Engagement Lead/  
Key Audit Partner

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

**Oliver Moore**  
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

**Afif Azman**  
Audit Senior / In-charge

- Day-to-day point of contact
- Audit fieldwork

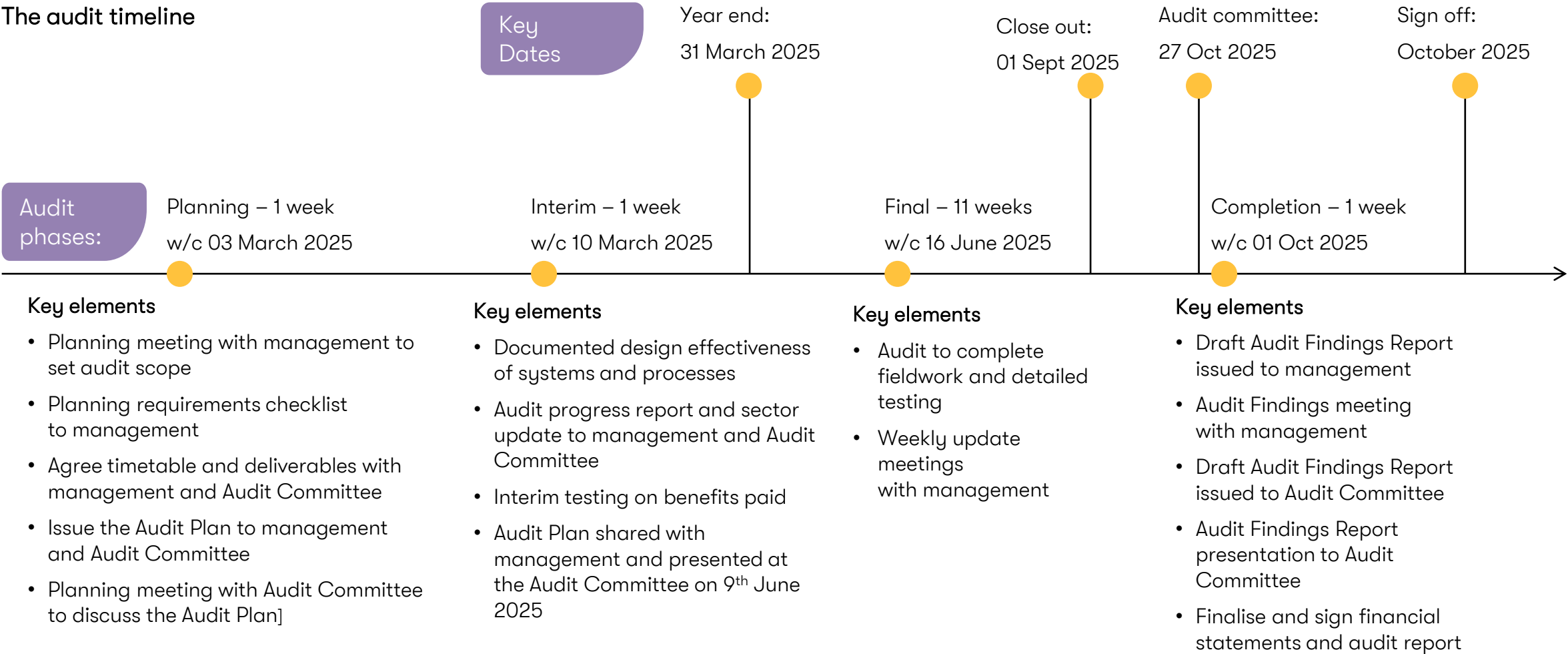
Pool of specialists and other technical specialists (e.g., IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• Client Surveys</li></ul>	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• Audit Progress and Sector Update Reports</li><li>• The Audit Findings Report</li><li>• Auditor’s Annual Report</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications	<ul style="list-style-type: none"><li>• Open channel for discussion</li></ul>		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

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 way 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. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report. Specific representations have also been sought for the two prior-period adjustments.

**[\*\*Prepare on client letterhead\*\*]**

Grant Thornton UK LLP  
8 Finsbury Circus  
London  
EC2M 2AF

**[\*\*Click here and enter date of letter\*\*]**

Dear Grant Thornton UK LLP

## **London Borough of Hammersmith and Fulham Pension Fund Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Hammersmith and Fulham Pension Fund ("the Fund") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Fund financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of investments, in particular investments held at Level 3 in the fair value hierarchy which have significant unobservable inputs into the valuation techniques, and the disclosure of the actuarial present value of promised retirement benefits. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are



# D. Management letter of representation

appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent;
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged; and
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the unadjusted misstatements schedule in respect of Level 3 investments included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund, both quantitatively and qualitatively, and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. The prior period adjustments disclosed in notes 9 and 15 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

- xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that:
  - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
  - b. the financial reporting framework permits the Fund to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

- xiv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

# D. Management letter of representation

- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Fund's Audit Committee at its meeting on 27<sup>th</sup> October 2025.

Yours faithfully

Name.....

Name.....

Position.....

Position.....

Date.....

Date.....

Signed on behalf of the Fund

# E. Draft audit opinion

Our draft audit opinion is included below. We anticipate that we will provide the Pension Fund with an unmodified opinion.

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

### Opinion on financial statements

We have audited the financial statements of the London Borough of Hammersmith and Fulham Pension Fund (the 'Pension Fund') administered by the London Borough of Hammersmith and Fulham (the 'Authority') for the year ended 31 March 2025 which comprise the Fund Account, the Net Asset Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

In our evaluation of the Executive Director of Finance and Corporate Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

# E. Draft audit opinion continued

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

## Other information

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

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

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

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

## Matters on which we are required to report by exception

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

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

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

## Responsibilities of the Authority and the Executive Director of Finance and Corporate Services

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Corporate Services. The Executive Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Corporate Services is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Finance and Corporate Services' is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.



# E. Draft audit opinion continued

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).
- We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's closing financial position, and
  - accounting estimates made in respect of the valuation of investment assets.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of Level 2 and 3 investments, and the actuarial present value of promised retirement benefits per IAS 26; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

# E. Draft audit opinion continued

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## [\*\*Signature\*\*]

Matt Dean, Key Audit Partner

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

London

## [\*\*Date\*\*]



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