

Audit Committee Minutes

Monday 27 October 2025

PRESENT

Committee members: Councillors Patrick Walsh (Chair), Lisa Homan, Callum Nimmo, Adrian Pascu-Tulbure and David Morton

Independent Member: Charlotte Moar

Other Councillors: Councillor Rowan Ree (Cabinet Member for Finance and Reform)

External Auditor – Grant Thornton

Paul Cuttle (Key Audit Partner)
Nick Hallwell (Audit Senior Manager)
Louis Barber (Assistant Manager)

Officers

Sharon Lea (Chief Executive) (attended remotely)
Sukvinder Kalsi (Executive Director of Finance & Corporate Services)
James Newman (Assistant Director of Finance)
Mathew Dawson (Strategic Investment Manager)
Sophie Green (Treasury Manager)
Moirra Mackie (Head of Internal Audit)
Debbie Yau (Committee Coordinator)

1. APOLOGIES FOR ABSENCE

An apology for absence was received from David Hughes, Director of Audit, Fraud, Risk and Insurance. Sharon Lea, Chief Executive, was attending remotely.

The Chair took the opportunity to welcome Charlotte Moar, the newly appointed Independent Member of the Committee.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

Exclusion of the public and press

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the exempt minutes, on the grounds that they contained the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighed the public interest in disclosing the information.

The Committee held further discussions in private session after the open meeting.

RESOLVED

The minutes and exempt minutes of the meeting held on 9 June 2025 were agreed as an accurate record.

4. STATEMENT OF ACCOUNTS 2024/25, INCLUDING PENSION FUND ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT

Councillor Rowan Ree (Cabinet Member for Finance and Reform) remarked that an important part of good governance of a borough was to publish its annual statement of accounts and subject them to scrutiny. He said the audit reports of this council in previous years and the reviews by LGA peers earlier this year had provided a lot of reassurance to residents and stakeholders that the London Borough of Hammersmith and Fulham (LBHF) was a well-run borough with well-managed services delivered in a ruthlessly, financially efficient manner. He thanked the hard work of officers and cabinet members in managing the budget effectively over the course of each year, and the efforts of Grant Thornton (GT), the External Auditor, in going through the accounts thoroughly and providing the assurance.

Sukvinder Kalsi (Executive Director of Finance & Corporate Services) highlighted the extensive range of services provided by the council to its residents and the complexity of its finances which were prescribed by all manner of regulations and legislation. It was therefore important to provide complete assurances to LBHF's residents, business and visitors that the finances of this authority were well-run. Sukvinder noted that GT's anticipated financial statements audit report opinion would be unmodified, and there were some minor recommendations. He said that some adjustments in terms of the records of some debtors and creditors had been made which however would not affect any of the figures set out in the statement of accounts. He extended his thanks to GT for their absolutely thorough efforts as reflected in the number of queries received and reviewed by the Finance Office.

Paul Cuttle (Key Audit Partner, Grant Thornton) outlined Grant Thornton UK LLP Audit Findings Report (ISA260) (Main Financial Statements 2024/25) (Appendix 2) which was driven by various standards that all auditors, including GT, were required to work to. He said that the document linked well to the External Auditor's Plan presented to this Committee earlier this year. Paul noted that GT's work was substantially complete, and the final set of accounts and representation letters would soon be signed off which shall put LBHF in a strong position ahead of most London councils which all started the auditing work at a similar time. Paul highlighted the positive experience working with LBHF that its draft set of accounts provided were of a good quality, noting some expected adjustments made in the review process. He stressed that there was no concern that would challenge GT's conclusion to issue a

qualified opinion. This council demonstrated again the amount of hard work it had undertaken to complete the work, just like the previous efforts of clearing the backlog by completing five sets of accounts in two years.

Paul Cuttle continued to introduce the Grant Thornton UK LLP Audit Findings Report (ISA260) (LBHF Pension Fund 2024/25) (Appendix 3) and the two Draft Letter of Representation 2024/25 (Appendices 4 & 5). He remarked it was a good experience in auditing the pension fund accounts and the report would soon be signed off after clearing two outstanding items. There was nothing unusual in the two representation letters which comprised standard things.

Charlotte Moar (Independent Member) appreciated the hard work of all as both of the statement of accounts and the pension fund were clean accounts. She referred to an unadjusted misstatement where there was about £1.6 million relating to capital expenditure which was picked up from the work on bank payments completeness testing (page 208). Charlotte was concerned whether there were any underlying issues that might impact the cash/bank payments.

In relation to the completeness error, Paul Cuttle highlighted that it was an isolated case and probably caused by the timing relating to an accrual. He noted that there was quite a lot of work around expenditure completeness and assured more testing would be undertaken if GT had any concerns relating to cash reconciliation element or actual recognition of expenditure within the periods in question.

Noting that a number of councillors had not returned the annual related party declarations and the recommendation for the management to strengthen the declaration process (page 211), Charlotte Moar asked if the management could be supported to stress the importance of related party declarations to enhance both the council's transparency and protection for individual members.

In response, Sukvinder Kalsi said he recognised more rigorous control should be put in place. As such, through the Cabinet Member for Finance and Reform, the internal reporting process would be streamlined and made clearer so that the few councillors who had not completed the declarations could do so soon. Councillor Ree recalled he had spent some evenings chasing down individual members to sign the declarations and he was prepared to double that efforts in the coming year.

Councillor Lisa Homan noted from the age profile on page 22 that a majority of LBHF staff were 50+ and asked if LBHF had considered this a risk and devised strategy to deal with this. Sukvinder Kalsi advised that most of the staff considered LBHF a wonderful borough to work for and spent more than 20 years of their working life here. To ensure succession planning and to encourage staff to progress through ranks, the council had put in place relevant arrangements, like apprentice schemes and Getting Ahead programmes. While the staff age profile would be kept in pace with the needs, Sukvinder highlighted the experience brought by staff aged 50+ and their knowledge about the borough allowed them to run the services more efficiently. In reply to Councillor Homan's further question, Sukvinder undertook to provide a comparison on staff age profiles across London boroughs.

ACTION: Sukvinder Kalsi

Councillor Adrian Pascu-Tulbure referred to the section on managing information (page 147) and noted that due to an incident taken place two years ago, the Information Commissioner's Office was unable to compliment LBHF at its report issued in May this year. He asked if this section should cover the incident and recommend steps to address the issues.

Councillor Ree assured that this section mainly dealt with information security and cyber security to ensure the council's cyber security systems were performing well. He remarked that the council could get some 20,000 potential attacks a day and be able to repel all of them. The incident referred to by Councillor Pascu-Tulbure had happened long time ago. The related systems and the processes had been changed since then. He stressed that technology was evolving fast, hence the council was constantly updating the systems and processes to keep pace with technological advancement.

Replying to Councillor Callum Nimmo's questions, Sukvinder Kalsi noted that earmark reserves, usually limited in scope, were normally used for a specific purpose. For example, there was an earmark reserve for the 3-year laptop replacement digital programme and resources in the relevant reserve could be used for the purpose. Other examples of reserves included insurance fund and investment projects.

On Councillor Nimmo's concern about the current level of reserves, Sukvinder noted that following the contribution of some £1 million over the past three years from underspends and revenue etc, the general balance of reserves right now stood in a comfortable and right level of the median position. He assured members that the council would continue to keep a close eye on the level of reserves and compare it across neighbouring boroughs.

In this connection, Councillor Ree stressed it was worth noting that when many local authorities were taking monies out of reserves in order to balance the books, the fact that LBHF had been able to put monies from a surplus budget onto its reserves for the last three years in a row was really an important achievement from which its residents could take reassurance.

Concluding the discussion, the Chair thanked Paul Cuttle and his GT team for their work in completing these annual reports, further to clearing the five sets of accounts in the backlog without any backstops and bringing LBHF's accounts up-to-date and on track. This meant money spent in LBHF was now fully accounted for.

RESOLVED

That the Committee agreed

1. To approve the 2024/25 Annual Governance Statement which is included in the Statement of Accounts (Appendix 1).
2. To approve the Statement of Accounts for 2024/25, including the Pension Fund Accounts (Appendix 1).
3. To note the content of the external auditor's 'Audit Findings Reports' (ISA260), (Main Audit and Pension Fund) including the auditor's findings,

recommendations and the Council's response to those recommendations (Appendices 2 and 3).

4. To approve the 2024/25 management representation letters (Appendices 4 and 5).
5. To approve the Pension Fund Annual Report 2024/25 (Appendix 6).
6. To note that the accounts remain 'unaudited' until final sign-off by the external auditor.
7. To delegate authority to the Chair of the Audit Committee, in consultation with the Executive Director of Finance & Corporate Services to approve any further adjustments to Appendices 1, 2, 3, 4, 5 and 6 which may be required as part of the completion of the audit work.

5. ANNUAL AUDIT REPORT (VALUE FOR MONEY) 2024/25

Councillor Rowan Ree (Cabinet Member for Finance and Reform) highlighted that this report summed up well the efforts of LBHF in making sure its services were delivered in a ruthlessly, financially efficient manner.

Sukvinder Kalsi (Executive Director of Finance & Corporate Services) said that the auditor was required to review the Council's value for money arrangements in the areas of Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness. He was pleased to note that the overall assessment by the auditor against the five criteria was Green or Amber (page 422), which should give residents and businesses assurance that the council's finances were being well-governed.

Paul Cuttle (Key Audit Partner, Grant Thornton) introduced the Annual Auditor's Report on Hammersmith and Fulham Council 2024/25 (Appendix 1) and highlighted Auditor's various responsibilities in terms of its value for money work. He referred to a range of different recommendations that could be raised by GT, including statutory recommendations, key recommendations and improvement recommendations (page 469). He then elaborated that statutory recommendations used to be rare but they were now more common which reflected some of the issues within the sector. There were a couple of key recommendations relating specifically to the Housing Revenue Account (HRA) and a lot of work had been carried out in those areas in the past 12 months which made them no longer a significant weakness in their value for money arrangements. On improvement recommendations, there were a few with some having an amber rating but none had particular concerns. Paul reiterated that this value for money report was very positive and reflected very well on the council's financial sustainability around the governance arrangements.

Councillor Lisa Homan sought clarification on the Improvement Recommendation 1 (page 445). Sukvinder Kalsi explained that the recommendation was about reviewing the HRA budget and its 10-year financial plan to ensure they were based on pragmatic assumptions in terms of interest rates and inflation etc through conducting scenario planning, sensitivity analysis and stress testing. The results would be set out in the report to be presented to the Cabinet in February 2026.

Councillor Homan referred to the financial reporting arrangements (page 453) and asked about improvements on the timeliness of some financial reporting. Sukvinder Kalsi highlighted the internal governance and other processes which in his opinion were conducted in an optimised manner now. He undertook to review these needed procedures to see if they could be further streamlined to reduce the timescale of reporting to the Cabinet. James Newman (Assistant Director of Finance) noted that it was related to the current time-lag for the outturn report, which was much longer, and agreement had already been made to take that report to the Cabinet earlier.

Noting the big drop of the HRA Reserves in 2024/25, Councillor Adrian Pascu-Tulbure was concerned about the liquidity position at about 50% which might affect the council's sustainability over a long term.

Councillor Rowan Ree pointed out that monies were put in reserves for rainy days and the resources in the HRA general reserves had been spent to address the well-reported issues within the housing systems in Hammersmith and Fulham, including compliance with all the new building regulations. The council was topping up the general reserves year on year. He stressed that, coupled with the new rent policy, the HRA and its 10-year business plan as well as the housing services were now in a better and stable positions than they were two years ago.

Charlotte Moar (Independent Member) noted a key recommendation (KR2) in 2023/24 had progressed onto an improvement recommendation (IR4) in 2024/25 (page 466). According to the prior recommendation, the Council should continue on its improvement journey with the operational performance of its housing service to ensure it was meeting a minimum core service standard. In terms of current status, the Council was on an upward trajectory towards minimum standards being met by the March 2026 target (page 458). She expressed concern about the current acceptable minimum core standards and asked if there were other options to pace up or prioritise actions to prevent any slippage.

Sukvinder Kalsi gave an account on the organisational history in terms of the HRA. He said during the period between late 2016 and 2020, there was a significant change in the housing policy and rent policy when a -1% rent reduction was imposed which had taken out huge amounts of resources from local authorities' HRA. It was 13% in the case of LBHF. This had impacted on the level of investment on decent homes to maintain the minimum core standards. Sukvinder agreed that all LBHF residents deserved a decent home including central heating system and the council would make sure resources in HRA and its reserves would be invested to meet the standards and legal requirements such as the latest one about damp and mould. Sukvinder stressed that the pace would be determined by the amount of resources available to meet this need among other priorities such as building more affordable new homes for residents. Nevertheless, he assured the Committee that stock conditions were surveyed on an annual basis.

RESOLVED

That the Committee agreed to note the report.

6. TREASURY MANAGEMENT OUTTURN REPORT 2024/25

Mathew Dawson (Strategic Investment Manager) briefed members on the report, including Prudential Indicators, the challenging strategic financial environment in terms of the pricey long-term borrowing rates, the bank rate, the Council's borrowings including those for the Housing Revenue Accounts (HRA), liquidity and balances, and cash flows from the investments. Mathew added that the mid-year report covering the first six months in 2025/26 would be brought to the next Committee meeting in December.

Sophie Green (Treasury Manager) took members through the tables on the allocation of interest paid and received during the year 2024/25 (para. 4), the split of investments by duration as of 31 March 2025 (para. 6) and a breakdown of the indicators and actual position for the year ending 31 March 2025 (para. 20). She said that the average return achieved on investments managed internally for the year was 5.22% compared with the average 7-day money market rate (uncompounded) of 4.91%.

Sukvinder Kalsi (Executive Director of Finance & Corporate Services) reassured the Committee that all treasury management was done in line with the Council's Treasury Management Strategy Statement approved by the Council in February 2024. He noted that all the Prudential Indicators had been met, and more interests were generated from cash balances than from those on debts. He said the borrowing undertaken by the council was purely on the HRA and the debt level would be kept below 30% of the value of HRA's stock.

Summing up, the Chair thanked officers' good work in terms of investment and returns.

RESOLVED

That the Committee agreed to note the report.

7. RISK MANAGEMENT UPDATE

Moir Mackie (Head of Internal Audit) introduced the report. She said that following a review of the Risk Management Strategy 2025- 2028 in March 2025, the Corporate Risk Register was refreshed to rationalise and consolidate some of the risks. Having enhanced the understanding of the directors on the need to identify and manage the risks, the Corporate Risk Register was updated and presented to the Senior Leadership Team (SLT) on 1 October (please see page 485 and the heat map), and the update was on-going. She added that the Corporate Risk Register would be presented with identified mitigation actions as this was one of the external auditor's improved recommendations.

Councillor Callum Nimmo asked about the latest development around the Fair Funding Reform 2026/27 as there had been a lot of speculations. Sukvinder Kalsi (Executive Director of Finance & Corporate Services) responded that local authorities would not be notified of the grant funding for the next three years until around late November when the Chancellor delivered her budget speech. Nevertheless, Sukvinder said he hoped the central government would take a

pragmatic and considered view about the excellent services provided by this council and continue to incentivise the LBHF with the needed resources which would be very well-manged, as evidenced by the external auditor's findings earlier. Hopefully, the eventual proposals would just be slight modification, and the Committee could discuss this further at the next meeting in December.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) highlighted that lots of behind-the-scenes work with lobbying groups of London councils and LBHF residents had been done to make sure that this borough would not be unfairly punished for its past hard work. He said LBHF's contributions far exceeded the returns it received, for instance, in terms of business rates, growth generated through innovative industrial strategy etc. He really hoped that this borough would be in the best possible position to continue to grow the economy for LBHF and across the country.

Councillor Adrian Pascu-Tulbure said he was glad to note there was cross-party aligned lobbying to make sure the LBHF had its fair share because it had done a lot.

Charlotte Moar (Independent Member) referred to Risk 18 on management of complaints etc. and noted the combined inherent impact and inherent likelihood at the heat map remained at level 16 in November 2024, March and June 2025. She asked about the target date for the figure to come down to 12 or below, given the next annual complaints report might come up soon.

Sukvinder Kalsi highlighted the council's intention to provide the best services without attracting any complaints. However, the council did go through a period of difficulty when its complaints arrangements were reviewed under the Housing Ombudsman P49 Report on Hammersmith and Fulham in March 2024. In summer this year, the Ombudsman was satisfied with the progress and discharged the recommendations. Going forward, appropriate responses to complaints would be provided within the time scales and there would be regular focus on complaints performance by the Chief Executive and SLT.

Councillor Rowan Ree remarked the council had adopted a straight-forward approach to provide all details of complaints arrangements with a view to identifying the problems early. He said the same issue attracted a cluster of complaints which, once resolved, would help reduce the number of complaints and hence the heat map figure. He believed it took time to work through the system.

The Chair recalled that the Committee had received the Housing Ombudsman report and discussed stage one and stage two complaints. The council had acknowledged its mistakes around handling housing-related complaints and proceeded to simplify the complaints procedures and deal with the backlog. He believed the SLT had taken the matter as a priority. While it took time to improve the complaint situation, it might take longer for the heat map figure to reflect the improvements made.

Sukvinder Kalsi remarked that it was absolutely a matter of priority as the Chief Executive, subsequent to the Housing Ombudsman report, had held weekly meetings to look at all the backlog and on-time complaints. He agreed to bring the annual complaints report back at some point.

ACTION: Sukvinder Kalsi

Sharon Lea (Chief Executive) expressed that the council welcomed complaints as they provided learning to the organisation. The SLT had been working on housing services which had made improvements over time. She understood complaints related to housing and other areas met the target timescales and there was no backlog. She said the next job was to bring the volume of on-time complaints down.

The Chair asked about the escalation of departmental risks which were managed within the departmental framework to the Corporate Risk Register. Moira Mackie noted there had been a lot of discussions with Directors and Executive Directors before drawing up the Corporate Risk Register. Some departmental risks were escalated where appropriate, but not all would need to be included in the Corporate Risk Register. SLT did challenge the Executive Directors to share their registers to make sure each risk hit the right level. Sharon Lea added that SLT did deep dives with each Directorate so there was transparency on mitigations.

As regards consistency across departments, Moira Mackie noted some departments might have more challenges than others due to the nature of the services they provided, whilst some others needed more learning. As such, a training toolkit was being developed to help colleagues understand that there was no fear of reporting a risk. The Chair echoed and considered it the best practice to share risk which was something faced by every employee.

RESOLVED

That the Committee agreed to note the report.

8. INTERNAL AUDIT PROGRESS REPORT (APRIL TO AUGUST 2025)

Moira Mackie (Head of Internal Audit) briefed members on the update which included a couple of draft audits and a few in progress. As the Internal Audit Plan was evolving during the year, audits for new risks identified would be included in each update. She highlighted the school audits which involved the engagement of the schools' finance and governance teams in developing the audit plan according to school calendar. She said her team visited the schools and met with school staff who usually became more responsive and helpful after understanding the purpose of doing audits. Moira added that those recommendations that were not yet implemented would be mapped on the report and follow-up work would be on-going until they were sorted. Their status would be set out clearly on the final report before it was signed off.

Charlotte Moar (Independent Member) welcomed the positive report. She referred to one of the Limited Assurance audits in the June report on "Client Affairs – Draft" which had not yet received the management response and asked about any progress, as set out in the June report, about their response on actions required to address the recommendations made.

In response, Moira Mackie said the relevant audit was re-visited shortly after the June meeting and the recommendations were all agreed. The team had also agreed with the Finance Team a schedule to carry out follow-up work in January and an update would be provided in the next progress report.

Noting the issue of staff turnover was one of the challenges faced by schools as indicated across several updates, the Chair was concerned about knowledge transfer in LBHF schools and academies during the transition.

Moira Mackie acknowledged the situation and noted that there were resources within the school finance team to support schools experiencing skill set issues and help them keep on top of things like running a deficit budget. She noted there were shared resources amongst schools where, say, a business manager might work for multiple schools across boroughs. When the shared arrangements now became clearer, there were benefits as work of different audits could also be pooled under the same business manager.

Responding to the Chair's further concern about sharing this best practice of shared resources, Moira Mackie reiterated the helpful sharing between business managers from different schools at the school business managers' forum she had attended previously. She said the team was mindful of ensuring the schools operated with the best finance and governance arrangements and encouraged them to share resources. For example, schools were encouraged to do independent reviews for each other without worrying about securing additional funds to meet the cost.

On the Chair's further question about whether the auditors of other local authorities also tied in their audit cycles with the school calendars, Moira Mackie noted that school audits used to be carried out once every 3 years which taking into account the on-going follow-up work was almost a continuous non-stop exercise. Now the school audits were held once every 5 years unless there were specific issues warranting earlier review. The tri-borough Internal Audit Team did the school audits across the three boroughs but only during term time when staff members were available. The other restrictions included unexpected Ofsted inspections, or a quick turnaround for an audit report before some mergers occurred.

RESOLVED

That the Committee agreed to note the report.

9. DATES OF FUTURE MEETINGS

Members noted the dates of future meetings:

- 1 December 2025
- 16 March 2026

10. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)

Please see item 3.

Meeting started: 7.00 pm
Meeting ended: 8.24 pm

Chair

Contact officer Debbie Yau
Committee Coordinator
Corporate Services
E-mail: Debbie.yau@lbhf.gov.uk