



# The Annual Audit Letter for Hammersmith and Fulham Council and Pension Fund.

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Year ended 31 March 2019



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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Hammersmith and Fulham Council and the Pension fund (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Pensions and Standards Committee as those charged with governance in our Audit Findings Report on 23 July 2019

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act).

Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

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## Our work

### Materiality

We determined materiality for the audit of the :

- Council's financial statements to be £13,000,000, which is approximately 1.8% of the Council's gross revenue expenditure
- Pension Fund's financial statements to be £18,000,000 which is approximately 1.8% of the Fund's net assets.

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### Financial Statements opinion

We gave an unqualified opinion on the Council and the Pension Fund's financial statements on 31 July 2019.

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### Whole of Government Accounts (WGA)

At the date of issuing our Annual Audit Letter, our work on the Council's Whole of Government Accounts Return is ongoing, however it will be completed by the mid-September deadline.

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### Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

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# Executive Summary

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**Value for Money arrangements** We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2019.

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**Certification of Grants** We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by the end of November 2019. We will report the results of this work to the Audit, Pensions and Standards Committee separately.

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**Certificate** We are unable to certify that we have completed the audit of the financial statements of Hammersmith and Fulham Council until we complete our work on the WGA Return, as mentioned on the previous page.

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## Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements before the deadline, releasing your finance team for other work.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We also delivered a bespoke piece of work as part of our value for money conclusion to give you a more detailed insight into your financial standing.
- Sharing our insight – we provided regular Audit, Pensions and Standards Committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements and annual reporting

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**August 2019**

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# Audit of the Financial Statements

## Our audit approach

### Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £13,000,000, which is approximately 1.8% of the Council's gross revenue expenditure and £18,000,000 which is approximately 1.8% of the Fund's net assets for the Pension Fund's financial statements.

We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We have set a lower materiality level for senior officers' remuneration for the Council's financial statements, as these are considered sensitive disclosures. A materiality of £28,000 was applied. No specific other materiality levels were set during the course of our audit.

We set a lower threshold of £650,000, above which we reported errors to the Audit, Pensions and Standards Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and Annual Governance Statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements

## Significant Audit Risks - Council

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Management override of internal controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness</li> <li>obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li> <li>evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>	<p>No issues were identified from the work performed in this area.</p>	●
<p><b>The risk that revenue includes fraudulent transactions</b></p> <p>Under ISA (UK) 240 there was a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>The presumption was that this risk can be rebutted as we had concluded that there was no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>No issues were identified in this area.</p>	●

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit of the Financial Statements

## Significant Audit Risks - Council

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Valuation of land and buildings</b></p> <p>The Council revalues its land and buildings on an rolling five-year basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• considered the competence, expertise and objectivity of any management experts used;</li> <li>• discussed with the valuer the basis on which the valuation is carried out and challenge the key assumptions;</li> <li>• reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• tested revaluations made during the year to ensure they are input correctly into the Council's asset register; and</li> <li>• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>	<p>No issues were identified from the work performed in this area.</p>	<p style="text-align: center;">●</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit of the Financial Statements

## Significant Audit Risks - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Valuation of Pension Fund net liability</b></p> <p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£624 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>updated our understanding of the processes and controls put in place by management to ensure that the Council's Pension Fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>evaluated the assumptions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> </ul>	<p>The Court of Appeal ruled in December 2018 that there was age discrimination in the judges and firefighters pension schemes where there were transitional protections given to scheme members. The Government's application to the Supreme Court for permission to appeal was rejected in June 2019. The draft 31 May 2019 accounts were accurate in their treatment of defined benefit pension schemes. As a consequence of the ruling, which occurred during the audit period in June, the council were requested to review their accounting treatment for McCloud/GMP equalisation. It was at this point the Council commissioned their actuary to provide revised IAS 19 figures. Subsequently, the Council has amended their draft accounts to reflect the revised actuary report figures within the final statement of accounts</p> <p>The legal ruling around age discrimination also has implications for other pension schemes where they have implemented transitional arrangements on changing benefits, including the Local Government Pension Scheme (LGPS).</p>	<p style="text-align: center;">●</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice



# Audit of the Financial Statements

## Significant Audit Risks - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Valuation of Pension Fund net liability contd.</b></p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• tested the consistency of the Pension Fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We have also ensured that Brexit has been considered when arriving at the values included within the Accounts.</li> </ul>	<p>In addition, the High Court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements have had on members benefits. GMPs must be equalised between men and women and past underpayments must be corrected. This will lead to increased costs for sponsors of defined benefit schemes</p> <p>A high level assessment received from the actuary to estimate the impact of the McCloud judgement on the Council's pension fund liability indicated an increase in pension liabilities of £6.6 million, which is 0.5% of pension liabilities. Management chose not to adjust for this item on the basis it is not material and it is an estimate and because the pension liability can vary year on year. We have accepted this and therefore we have included this as an unadjusted audit misstatement .</p> <p>Our audit work has not identified any issues in respect of the valuation of the Council's pension fund net liability</p>	<p style="text-align: center;">●</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit of the Financial Statements

## Significant Audit Risks - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Incomplete or inaccurate financial information transferred to the new general ledger.</b></p> <p>In December 2018, the Council implemented a new general ledger system. When implementing a new significant accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data.</p> <p>There is also a risk over the completeness and accuracy of the data transfer from the previous ledger system. We therefore identified the completeness and accuracy of the transfer of financial information to the new general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>reviewed the Council and Pension fund's arrangements and controls over the transfer of data from the old system to the new system, and the controls over the completeness and accuracy of data transferred;</li> <li>mapped the closing balances from the redundant general ledger (Agresso) to the opening balance position in the new ledger (SAP) to assess accuracy and completeness of the financial information; and</li> <li>completed an information technology (IT) environment review to document, evaluated and tested the IT controls operating within the new general ledger system.</li> </ul>	<p>We are satisfied that the data transfer of balances from Agresso to SAP was accurate and complete.</p>	<p style="text-align: center;">●</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit of the Financial Statements

## Significant Audit Risks – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Valuation of Level 3 Investments</b>            By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represented a significant estimate by management in the financial statements due to the size of the numbers involved (£77 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilised the services of investment managers as valuation experts to estimate the fair value as at 31 March 2019.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls;</li> <li>reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments;</li> <li>independently verified the Northern Trust valuation to independent market data;</li> <li>reviewed the custodian independent valuation of Northern Trust;</li> <li>considered the competence, expertise and objectivity of any management experts used; and</li> <li>verified the investment balances to the fund manager and custodian reports</li> </ul>	<p>The investment balances in the financial statements were based on custodian reports. The custodian reported the valuation as at Month 11 for one of the investments, Partners Infrastructures. The Month 12 balances were subsequently £1.1m higher (which would be 0.1% of total Investments) than the balances disclosed in the financial statements. As the adjustment is not material management have decided not to adjust the financial statements. We accepted this and have included this as an unadjusted audit misstatement. This is well below performance materiality, therefore, we are satisfied that the impact on the accounts is immaterial. No issues were identified from the work performed in this area.</p>	<p style="text-align: center;">●</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit of the Financial Statements

## Significant Audit Risks – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Valuation of level 2 investments</b> Level 2 investments do not carry the same 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.</p> <p>We therefore identified the valuation of the Fund's Level 2 investments as an other risk</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the Fund's process for valuing Level 2 investments and evaluated the design of the associated controls;</li> <li>assessed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments;</li> <li>agreed the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and obtained explanations for variances;</li> <li>obtained year-end confirmations from investment managers and custodian;</li> <li>where necessary, tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian.</li> <li>for direct property investments agreed values in total to valuer's report and undertaken steps to gain reliance on the valuer as an expert; and</li> <li>assessed the related impact of Britain leaving the European Union on 29 March 2019.</li> </ul>	<p>The investment balances in the financial statements were based on custodian reports. The custodian reported the valuation as at Month 11 for one of the investments, Partners Infrastructures. The Month 12 balances were subsequently £1.1m higher ( which would be 0.1% of total Investments) than the balances disclosed in the financial statements. As the adjustment is not material management have decided not to adjust the financial statements . We accepted this and have included this as an unadjusted audit misstatement. This is well below performance materiality, therefore, we are satisfied that the impact on the accounts is immaterial. No issues were identified from the work performed in this area.</p>	<p style="text-align: center;">●</p>

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

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# Audit of the Financial Statements

## **Audit opinion**

We gave an unqualified opinion on the Council's financial statements on 31 July 2019.

## **Preparation of the financial statements**

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the financial statements**

We reported the key issues from our audit to the Council's Audit, Pensions and Standards Committee on 23 July 2019. No other significant issues were identified from our audit aside from the McCloud/GMP Adjustment mentioned as part of the summary of our work on the Significant Risks earlier in the Letter.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## **Pension fund accounts**

We gave an unqualified opinion on the pension fund accounts of the Hammersmith and Fulham Council Pension Fund on 31 July 2019 as well. We also reported the key issues from our audit of the pension fund accounts to the Council's Audit, Pensions and Standards Committee on 23 July 2019.

## **Whole of Government Accounts (WGA)**

At the date of issuing our Annual Audit Letter our work in this area is still outstanding, however this will be completed by the statutory deadline, which is in mid September.

## **Certificate of closure of the audit**

We are unable to certify that we have completed the audit of the financial statements of Hammersmith and Fulham Council until we complete our work on the WGA Return, as mentioned above.

# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings Report agreed with the Council in July 2019, we agreed recommendations to address our findings, which are shown below, along with management's response to these.

## Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

# Action Plan

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
① ●	<b>Value for Money – financial sustainability</b> The Council is using its reserves to meet ongoing pressures on Dedicated Schools Grant funding and to invest in regeneration projects. Whilst the Council's reserves are currently sufficient, this will not be sustainable in the medium term.	The Council needs to make sure that all of the interested parties are aware of the challenges the Council is facing and may continue to face depending on the outcome of the Funding Settlement.

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Financial Sustainability</b></p> <p>The Council is continuing to face financial pressure. Dedicated Schools Grant funding and demand for temporary accommodation are specific areas which are placing the Council's finances under considerable strain. Therefore, the Council needs to manage its resources carefully to ensure a sustainable future for the Borough.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> <li>• reviewed the 2018-19 Outturn, including details of performance against both the Revenue and Capital Budgets;</li> <li>• reviewed progress against the 2019-20 financial plan up to the completion of our audit; and</li> <li>• obtained an update on the Council's Medium-Term Financial Strategy, including progress on identifying the savings required in coming years including discussions with Management on progress to date.</li> </ul>	<p>We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:</p> <ul style="list-style-type: none"> <li>• General fund earmarked reserves have reduced from <b>£95m</b> to <b>£63m</b>. The general fund reserves were utilised for approved projects</li> <li>• However challenges in respect of the Dedicated Schools Grant (DSG) are continuing to increase, with a further overspend of <b>£6.6m</b> being incurred in-year, bringing the cumulative deficit in this area to <b>£13.6m</b>.</li> <li>• A balanced budget has been set for 2019-20, which includes the delivery of <b>£10.3m</b> of savings. Plans are in place for the delivery of this sum, which will need close monitoring during the course of the year.</li> <li>• The Council is continuing to adopt a one-year planning timeframe due to the level of uncertainty post-2021, which is something that will need to be tackled soon to ensure the Council is in a position to face the challenges.</li> </ul> <p>Based on the work we performed to address the significant risk, we concluded that: the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.</p> <p>However as mentioned on the previous page, we have raised a couple of recommendations for the Council to consider, and we will monitor the progress in these areas over the course of the next 12 months ahead of next year's VfM Work.</p>	<p style="text-align: center;">●</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and Conclusions	Assessment
<p><b>Brexit</b></p> <p>At the time of our planning and risk assessment, the UK was due to leave the European Union on 29 March. When Britain exits the EU, there will be national and local implications that will impact on the Council, which the Council will need to plan for. Brexit will also potentially add another unknown to these challenges and the Council will need to monitor developments close as the end of March approaches.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> <li>• reviewed areas such as workforce planning, supply chain analysis and impacts on finances including investment and borrowing as well as any potential impact on the valuation of the Council's assets</li> <li>• reviewed progress against the 2019-20 financial plan up to the completion of our audit; and</li> <li>• considered the financial impact of any financial issues arising from Brexit. These may include changes in property values, adverse changes to investment and borrowing rates, changes to business rate income, and the impact on the Authority's workforce.</li> </ul>	<p>Brexit has been delayed with a revised date of 31 October 2019 so the risk has not materialised within the period covered by this report however we have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:</p> <p>The Council have considered the impact of a no deal and are confident that there would be no impact on business continuity as:</p> <ul style="list-style-type: none"> <li>• the Council is not reliant on any European social care suppliers and business will continue as usual</li> <li>• senior management are all eligible for settled status therefore no unplanned vacancies or skills gaps will occur.</li> <li>• The Council has arranged access for senior staff to work from home as a contingency plan in the event of Council staff being unable to get to work due to traffic gridlock.</li> </ul> <p>Based on the work we performed to address the significant risk, we concluded that the Council has established proper arrangements to analyse and mitigate any potential risks and opportunities resulting from Brexit.</p>	<p style="text-align: center;">●</p>

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice



# A. Reports issued and fees

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

## Reports issued

Report	Date issued
Audit Plan	12 March 2019
Audit Findings Report	23 July 2019
Annual Audit Letter	29 August 2019

## Fees

	Planned	Actual fees
	£	£
Statutory audit	126,242	140,242
Audit of Pension Fund	16,170	16,170
Housing Benefit Grant Certification	13,000	13,000
<b>Total fees</b>	<b>155,412</b>	<b>169,412</b>

### Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £126,242 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Also given we only started our work on the Certification of the Council's Housing Benefit Return in October 2019, we are currently unable to confirm whether any additional fees will be charged in respect of this work

## Additional Fees proposed

Area	Reason	Fee proposed
<b>Assessing the impact of the McCloud ruling – Main Accounts</b>	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements. As this impacted on both the main Accounts and Pension Fund there is an additional charge in respect of both audits.	£1.5k
<b>Assessing the impact of the McCloud ruling – Pension Fund</b>		£1.5k
<b>Pensions – IAS 19</b>	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£3k
<b>PPE Valuation – work of experts</b>	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£3k
<b>Review of New System SAP</b>	We were required to review the implementation of the new system and the migration of the data from the old system to the new system.	£5k
<b>Total</b>		<b>£14k</b>

# A. Reports issued and fees (continued)

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

## Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	
• Certification of Housing Capital Receipts Grant	4,500
• Certification of Teachers Pensions Return	3,500
<b>Non-Audit related services</b>	
• CFO Insights Subscription	12,500
• HFS (JV entity of Council ) –Tax Compliance	3,700
• HFS 2 Developments (JV of Council) – Accounts Preparation	900
• HFS 2 Developments (JV of Council) – Tax compliance services	2,100
• HFS 2 Developments (JV of Council) – Audit	3,750

## Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The non-audit services listed are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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