



HILLINGDON  
LONDON



# Audit Committee

## Members of the Committee

John Chesshire (Chair)  
Councillor Nick Denys (Vice-Chair)  
Councillor Douglas Mills  
Councillor Henry Higgins  
Councillor Tony Burles  
Councillor June Nelson

**Date:** THURSDAY, 28 AUGUST  
2025

**Time:** 5.10 PM

**Venue:** COMMITTEE ROOM 5 -  
CIVIC CENTRE

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Putting our residents first

Lloyd White  
Head of Democratic Services  
London Borough of Hillingdon,  
Phase II, Civic Centre, High Street, Uxbridge, UB8 1UW

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## **Terms of Reference**

The Constitution defines the terms of reference for the Audit Committee as:

### **Introduction**

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

### **Internal Audit**

1. Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
2. Review, approve and monitor (but not direct) Internal Audit's planned programme of work, paying particular attention to whether there is sufficient and appropriate coverage.
3. Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate, with due regard to risk, materiality and coverage.
4. Make recommendations to the Leader of the Council or Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and Internal Audit Plans.
5. Review the Annual Internal Audit Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
6. Consider reports dealing with the activity, management and performance of Internal Audit.
7. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to request work from Internal Audit.

## **External Audit**

8. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
9. Monitor management action in response to issues raised by External Audit.
10. Receive and consider specific reports as agreed with the External Auditor.
11. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.
12. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

## **Governance Framework**

15. Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and where necessary bring proposals to the Leader of the Council or the Cabinet for their development.
16. Review any issue referred to it by the Chief Executive, Deputy Chief Executive, Corporate Director, any Council body or external assurance providers including Inspection agencies.
17. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the Corporate Risk Register and seeking assurances that appropriate action is being taken on managing risks.
18. Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy, making any recommendations on changes to the relevant Corporate Director in consultation with the Leader of the Council.
19. Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
20. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
21. Where requested by the Leader of the Council or Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.



## **Accounts**

22. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
23. Consider the External Auditor's report to those charged with governance on issues arising from the external audit of the accounts.

## **Review and reporting**

24. Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

## **Formal duty of senior officers to attend**

Whilst Council officers will invariably attend meetings voluntarily, in fulfilling its role, and should it be required, the Committee may require the Head of Paid Service and/or any senior officer (third tier and above) to attend before it to explain in relation to matters within its remit and it shall be the duty of those persons to attend if so required.

Where any senior officer is required to attend the Committee under this provision, the Chairman will inform the Head of Democratic Services. The Head of Democratic Services shall inform the officer in writing or by email giving at least 10 working days' notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced for the Committee. Where the account to be given to the Committee will require the production of a report, then the officer concerned will be given sufficient notice to allow for preparation of that documentation.

Where, in exceptional circumstances, the officer is unable to attend on the required date, then the Committee shall, in consultation with the officer, arrange an alternative date for attendance.

When calling senior officers under this provision, the Committee will remain bound by the Code of Conduct for Members and Co-opted Members, ensure questioning is conducted in a fair and balanced manner and not of a personal critical nature.

# Agenda

## **PART I**

- 1** Apologies for absence
- 2** Declarations of interest
- 3** To confirm that all items marked Part I will be considered in Public and that any items marked Part II will be considered in Private
- 4** Minutes of the Meeting held on 24 July 2025 1 - 30
- 5** Update on the GRIP 31 - 36
- 6** Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 37 - 58
- 7** External Audit update 59 - 140
- 8** Audit Committee Annual Report 141 - 148
- 9** Risk Management & Strategic Risk Reports 149 - 166
- 10** Internal Audit Progress Report 167 - 180
- 11** Counter Fraud Progress Report 181 - 196
- 12** Work Programme 197 - 200

## Minutes

### AUDIT COMMITTEE

24 July 2025

Meeting held at Committee Room 5 - Civic Centre,  
High Street, Uxbridge UB8 1UW



	<p><b>Committee Members Present:</b> John Chesshire (Chair) Councillor Nick Denys (Vice-Chair), Councillor Henry Higgins, Councillor Tony Burles, and Councillor June Nelson</p> <p><b>Officers Present:</b> Claire Baker – Head of Internal Audit and Risk Assurance, Andrew Macleod – Chief Accountant Pete Carpenter – Director – Pensions, Treasury &amp; Statutory Accounts Tony Zaman – Chief Executive Officer Lloyd White – Head of Democratic Services Matthew Wallbridge – Chief Operating Officer (virtual) Daniel Toohey – Head of Legal Services Ryan Dell – Democratic Services Officer</p> <p><b>Also Present:</b> Mark Rutter, Ernst &amp; Young (virtual) Phillip Woolley, Grant Thornton Neal Dempsey, Grant Thornton</p>
13.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies had been received from Councillor Douglas Mills.</p>
14.	<p><b>DECLARATIONS OF INTEREST</b> (<i>Agenda Item 2</i>)</p> <p>None.</p>
15.	<p><b>TO CONFIRM THAT ALL ITEMS MARKED IN PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 3</i>)</p>
16.	<p><b>MINUTES OF THE MEETING HELD ON 14 MAY 2025</b> (<i>Agenda Item 4</i>)</p> <p><b>RESOLVED:</b> That the minutes of the previous meeting be agreed as a correct record</p>
17.	<p><b>FINANCIAL MODERNISATION PROGRAMME</b> (<i>Agenda Item 5</i>)</p> <p>The Chair introduced the Financial Modernisation Programme.</p> <p>The FMP is a significant transformation initiative by the London Borough of Hillingdon in partnership with Grant Thornton, to review and strengthen the Council's financial systems, processes, and structures and to address challenges with the transition to the</p>

new Oracle system.

Hillingdon had been working with Grant Thornton on the Oracle Improvement Plan since September 2024. In February 2025, Cabinet had approved a request from the Corporate Director of Finance to bring in capacity and capability to create and deliver a Financial Improvement Plan with CIPFA. These were combined into the Finance Modernisation Programme, launched in April 2025. The initial focus had been to support the understanding of the budget outturn position; to improve the budget monitoring forecasting processes; and to address issues with the use of Oracle. It was also noted that the Council had recently appointed a new Section 151 Officer.

A review of accounting had been done to ensure that there was a solid baseline on the 2024/25 outturn. Adjustments to the 2024/25 financial position had been identified, totalling an approximate £14.1 million adverse impact as a result of historic issues including writing out a negative reserve, updates to the Council's Treasury and Minimum Revenue Provision calculations and changes to the Council's Bad Debt Provision policy.

The Council's finance system had gone live in May 2024, upgrading to the latest cloud-based version of Oracle. However, inadequate training and knowledge transfer had led to poor understanding of changes to business processes and the routine maintenance requirements of the system. The system as implemented had proved to be overly complex and had been adapted to meet existing Council processes. Documentation of the system was incomplete and not always up to date. The Council did not have the in-house capacity or capability to effectively support and maintain the solution.

Oracle's planning and monitoring functionality had underperformed, leading to off-system workarounds. Some documents around processes and procedures lacked detail. Budget holders lacked confidence and access to reliable data.

The current finance team was large and high-cost relative to the Council's size. Manual interventions in basic functions such as forecasting and reporting were prevalent due to unrealised system efficiencies. Accountability was concentrated among a small number of senior officers.

The Council had been using Oracle for a long time. The latest cloud-based version, Oracle Fusion, included enterprise resource planning (ERP) for core finance and enterprise performance management (EPM) for planning and budgeting. Budget holders primarily interacted with EPM.

The initial stage of the Financial Modernisation Programme had been organised into six key work streams with the immediate priorities around ensuring a robust understanding of the 24/25 outturn and targets for 25/26.

1. **Accounting and control** – identification and assessment of areas of risk in the Council's Accounting processes and Controls and 24/25 Year End preparations
2. **Budget Monitoring** – Implementation of good practise Budget Management and Capital Monitoring processes and supporting tools (excluding Oracle)
3. **Oracle EPM (Planning System)** – Implementation of key functionality to support Budget Management and Capital Monitoring through Oracle Fusion
4. **Finance Systems Support (ERP)** – Support to develop the capacity and capability of the Council's Finance Systems team, to deliver improvement in the basic operation of Oracle, reduce manual intervention and risks related to access control and routine updates
5. **Finance Operating Model** – Establish a new delivery model for a modern

finance service to the Council

6. **Supplier contract review** – Expert review of the current managed service and supplier performance and options/ recommendations to continue, exit or migrate to a model that better supports the Council's needs and drives innovation

Future improvement projects included:

- **Balance Sheet Assurance Process** – Documentation of best practise process, procedures and reporting to ensure the ongoing integrity of the Council's Balance Sheet
- **Financial Close Process** – Documentation of good practise processes and procedures to enable the Council to close its ledgers and report on its financial position (Monthly/ Quarterly/ Annually)
- **Budget Setting process** – Documentation of processes and procedures for Budget setting based upon recognised good practise
- **Capital Governance** – Documentation of processes and procedures for Capital monitoring and Governance based upon recognised good practise
- **Oracle EPM Refresh** – Simplification of EPM structures and reporting:
  - Use of core functionality, removing duplication and complex configuration
  - Update of existing reports
- **Oracle ERP Enhancement** – A range of improvements to functionality and operational efficiency, including:
  - Improved integration with feeder systems
  - Implementation of Risk Management Module

Members were concerned to note that budget holders did not have confidence in their budgets or adequate access to information and asked when they would have confidence and access to information. Officers noted that confidence in budget management had grown but had required significant manual work. The current setup had led to excessive processing that sometimes overshadowed delivery. Work was ongoing to align systems with the finance structure and delegation of budget responsibilities. The aim was to establish distributed leadership in budget management, where team leads could access clear data on staffing, costs, and forecasting needs. Ultimately, the vision was for everyone to have the understanding and tools to manage budgets effectively. Increased confidence in budgets would increase accountability.

Members asked about the best model for accountability of budgets. Accountability in finance was closely tied to organisational governance, which was why the financial organisation programme was presented alongside the GRIP. Budget reviews were now more systematic, transparent, and frequent, with sessions held monthly or more often depending on budget size and risk. This created a clear accountability hierarchy. Regular reporting to Cabinet Members now included comprehensive updates on budgets, savings, and capital, reinforcing accountability throughout the organisation.

Members noted that accountability required training and asked about progress on this. Training was in early stages. Oracle had been used for 2025/26 Month 2 monitoring as a learning phase. A best-in-class training provider had been identified, and there was an emphasis on creating manuals and guides for ongoing reference. Training would be rolled out as the system design stabilised.

Efforts were underway to improve clarity and accessibility of financial reports for Members and the public.

Members were concerned to note that 'the planning and budgeting functionality, in

Oracle, has been a significant weakness leading to off system processes being implemented', and 'Documented processes and procedures, for Budget Monitoring, lack detail and do not provide the level of regular guidance and communication required', and asked for more detail on these. Grant Thornton discussed how transactional data was captured and transformed into financial information for reporting purposes. It was noted that while Oracle captured transactional data cleanly in some areas, the process of translating this into accounting entries was complex. There was often manual effort required to convert information into meaningful reports. This complexity posed challenges for users trying to extract useful financial insights. Existing documentation was often superficial and outdated.

Members asked about spending controls. Officers advised that there were a mixture of manual and automated spend control parameters. For example, on contracts, warnings appeared when spending came close to the approved limit so that spending could not go above the limit unless approved. There was a weekly board to look at any establishment changes.

There were accountability controls including the Constitution and Scheme of Delegations. There were regular meetings to ensure controls were in place.

Members asked about a financial procedures manual and if this could be shared with Members. It was noted that this document was still being drafted and was expected around September.

Members asked about training for Members. Officers advised that there were regular training sessions such as Member Development Day. There would also be training upcoming post-2026 elections.

Members asked why training on the new system had not been the first action taken. Officers noted that there had been Oracle training in 2023 and 2024. It was noted that the original Oracle implementation had leaned towards adapting the system rather than adopting standard processes. The current system design had been tested using Month 2 as a reference point. There was a need to finalise the system design to a satisfactory level. Training should commence thereafter. Training would cover not only system usage but also the underlying processes and decision-making approaches. Forecasting had been identified as a key issue due to varying interpretations among users.

As part of the Finance Modernisation Programme, the current Oracle support arrangements were under review. Officers were assessing how well the existing support structure aligned with the needs of the Oracle refresh and broader finance modernisation efforts. A reliable and responsive support partner was essential to implement system improvements and provide ongoing support for Oracle, which was a live, cloud-based platform. The team had provided feedback to the current support partner regarding performance concerns. Regular reviews were being conducted by the team to monitor contract performance and ensure delivery against agreed terms. The review aimed to identify the right support partner to optimise Oracle's use and ensure the system continued to meet organisational needs.

The Financial Modernisation Programme was roughly a six-month programme launched in April 2025. The current phase was planned to end in October 2025. Monthly reviews were conducted to assess progress and plan next steps, though finance improvements will continue beyond the formal programme.

Grant Thornton noted that there was an element of them presenting their experience of

	<p>best practise but an element of co-creation with the finance team. This involved a preferred methodology adapted to local circumstances.</p> <p>Members asked if this work would have any effect on the Council's audit, and if there had been discussions with EY. Officers noted that there was a specific work programme to move data from one system to the other and there were checks ongoing with EY. EY noted that they had issued their audit planning report to the Council this morning and that this would come to the next Committee. This would show that the Oracle transition was one of the identified risks. This included ensuring that balances from the old system had made it onto the new system. Some of the challenges that the Council had encountered would be included in EY's Value for Money commentary.</p> <p><b>RESOLVED: That the work undertaken to date on the Finance Modernisation Programme be noted.</b></p>
18.	<p><b>GOVERNANCE REVIEW IMPROVEMENT PLAN</b> (<i>Agenda Item 6</i>)</p> <p>The Chair introduced the Governance Review Improvement Plan (GRIP), which encompassed governance-related improvements, including financial and directorate governance. This item aimed to provide an overview of the GRIP, its structure, progress, and next steps.</p> <p>The GRIP had been commissioned in March 2025 following internal and external audit reports in late 2024 and early 2025. It addressed recommendations related to financial and directorate governance, especially in light of the Council's Medium-Term Financial Strategy (MTFS) savings targets approved in February 2025. It was sponsored by the Chief Executive.</p> <p>The GRIP was structured into three workstreams:</p> <ul style="list-style-type: none"> <li>• <b>Finance Governance:</b> led by the Section 151 Officer and finance team and implemented EY audit recommendations on the 2023/24 accounts.</li> <li>• <b>Directorate (Officer Decision-Making) Governance:</b> led by the Chief Operating Officer and implementing recommendations from the September 2024 internal audit report.</li> <li>• <b>Constitutional and Democratic Governance:</b> led by the Monitoring Officer. This had been initiated as part of continuous improvement, but included a review of the Constitution, Scheme of Delegations, exempt schedules in Cabinet reports, and Member conduct processes. A partner had been identified to engage with through an independent review.</li> </ul> <p>Each workstream reports would progress to the Corporate Governance Group, a statutory officer group, which met monthly and reported to the Corporate Management Team (CMT). The GRIP document was a live, evolving control document with updates at each Corporate Governance Group meeting. The Audit Committee would also receive updates at every meeting.</p> <p>The Finance Modernisation Programme was embedded in Workstream 1; a new MTFS app had been rolled out to support directorate-specific savings tracking; spend controls were integrated into the broader governance framework; and a uniform planning format had been introduced for business and finance plans to ensure alignment from strategy to individual performance.</p> <p>Members asked how the Council would ensure that the GRIP's values, such as timeliness, inclusivity, openness, honesty, were embedded in the organisational</p>

	<p>culture. Officers responded that the GRIP was transparent and open to Member feedback; internal and external auditors were engaged for ongoing input; and the Corporate Governance Group played a key role in monitoring cultural alignment. There had been positive results from the recent staff survey, which could be presented to the Committee; and increased visibility of senior leadership.</p> <p>Members asked about the delay in publishing the 2024/25 final accounts. Officers expected submission by mid-August 2025 due to the need for high assurance and accuracy.</p> <p>Members requested access to the Directorate Governance Internal Audit Report. It was noted that the report could be shared with Committee Members.</p> <p>The Chair asked if Internal Audit were happy with the GRIP and actions taken in response to the Directorate Governance report. The Council's Head of Internal noted she was happy that the actions were appropriate, and progress was satisfactory. It was acknowledged that full implementation would take time, but initial steps were strong. Members noted they were happy with the GRIP.</p> <p>The Chair asked if the Council had considered governance areas more broadly. Officers noted that Workstream 3 was specifically created to address broader governance. Governance could be a broad topic and could be difficult to define. This was why there were three workstreams – there were three statutory officers (Head of Paid Service, Section 151 Officer and Monitoring Officer). Other possible areas of review included parts of the Constitution such as the Members' Code of Conduct, as this may be being updated by Central Government; Member Complaints; the Scheme of Delegation; exempt schedules and Cabinet reports.</p> <p>The Chair asked and officers clarified that the Head of Internal Audit attended the Corporate Governance Group in relation to risk.</p> <p>GRIP updates would be added to each Audit Committee meeting. The document would be updated dynamically to reflect new audit recommendations or governance developments. A staff survey briefing could be scheduled for the November Committee.</p> <p><b>RESOLVED: That the work on the Governance Review Improvement Plan be noted.</b></p>
19.	<p><b>WORK PROGRAMME</b> (<i>Agenda Item 7</i>)</p> <p>Officers noted that the Work Programme highlighted upcoming meeting dates and the expected agenda items.</p> <p>The Chair noted the request to bring an update on staff survey results to the November Committee.</p> <p><b>RESOLVED: That the Audit Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the dates for Audit Committee meetings;</b></li> <li><b>2. Noted that updates on the GRIP would be presented to each Committee; and</b></li> </ol>



	<b>3. Requested an update on the staff survey at the November Committee meeting.</b>
	The meeting, which commenced at 5.00 pm, closed at 6.50 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636 or email: [democratic@hillingdon.gov.uk](mailto:democratic@hillingdon.gov.uk). Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

**The public part of this meeting was filmed live on the Council's YouTube Channel to increase transparency in decision-making, however these minutes remain the official and definitive record of proceedings.**

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# Finance Modernisation Programme

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## Audit Committee, 24th July 2025

Matthew Wallbridge – Chief Operating Officer

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# Executive summary

- From September 2024 Hillingdon Council have been working on an Oracle Improvement Plan with the support of Grant Thornton
- In February 2025 Cabinet approved the request from the Corporate Director of Finance to bring in capacity and capability to create and deliver a Financial Improvement Plan with CIPFA.
- The Finance Modernisation Programme combined these and was launched in April 2025, and its initial focus has been:
  - To support understanding of the financial outturn for 2024/25, reviewing areas of risk and subjective accounting on behalf of the Council's Finance team.
  - To improve budget monitoring and forecasting processes for the new financial year 2025/26.
  - Address issues with the use of the Council's finance system, Oracle.
- Further work, has been put in place on the structure and processes of a modern finance function, embedding good practice processes and controls into the Council's finance system.

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# Executive summary

## Key Observations

### • Accounting and Control

- The review of accounting, supporting the 2024/25 outturn, has identified a number of adjustments to the Council's financial position which have been reviewed and agreed with the Finance team.
- Work is ongoing but to date these adjustments have an adverse impact on the 2024/25 financial position, including a movement of £14.1m due to writing out a negative reserve, updates to the Council's Treasury and Minimum Revenue Provision calculations and changes to the Council's Bad Debt Provision policy.
- The review has identified issues in accounting treatment, data and assumptions used and supporting processes and procedures. These include both long standing matters and issues in the understanding of the new finance system.

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# Executive summary

## Key Observations

### • Finance System

- The Council's finance system went live in April 2024, upgrading to the latest cloud-based version of Oracle.
- Inadequate training and knowledge transfer has led to poor understanding of changes to business processes and the routine maintenance requirements of the system.
- The solution designed and implemented is overly complex, having been adapted to meet existing Council processes and data structures.
- Documentation of the system is incomplete and not always up to date, making routine maintenance and fixing issues more complex.
- The Council does not have the in-house capacity or capability to effectively support and maintain the solution.

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# Executive summary

## Key Observations

### • Budget Monitoring

- The planning and budgeting functionality, in Oracle, has been a significant weakness leading to off system processes being implemented.
- Documented processes and procedures, for Budget Monitoring, lack detail and do not provide the level of regular guidance and communication required.
- Budget Holders do not have confidence in their budgets or adequate access to information e.g. actual costs.

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# Executive summary

## Key Observations

### • Finance Structure

- The Council's Finance team is a large and high-cost function for an organisation of its size.
- Efficiency benefits from the new finance system have not been realised and the Council has a high level of manual intervention in basic finance processes (e.g. Forecasting, Reporting, Bank Reconciliations).
- The current structure sees a great deal of accountability for the delivery of Finance's services rest with a small number of senior officers. This is in part a consequence of how change at senior level has been managed, with responsibility being consolidated to a few individuals.

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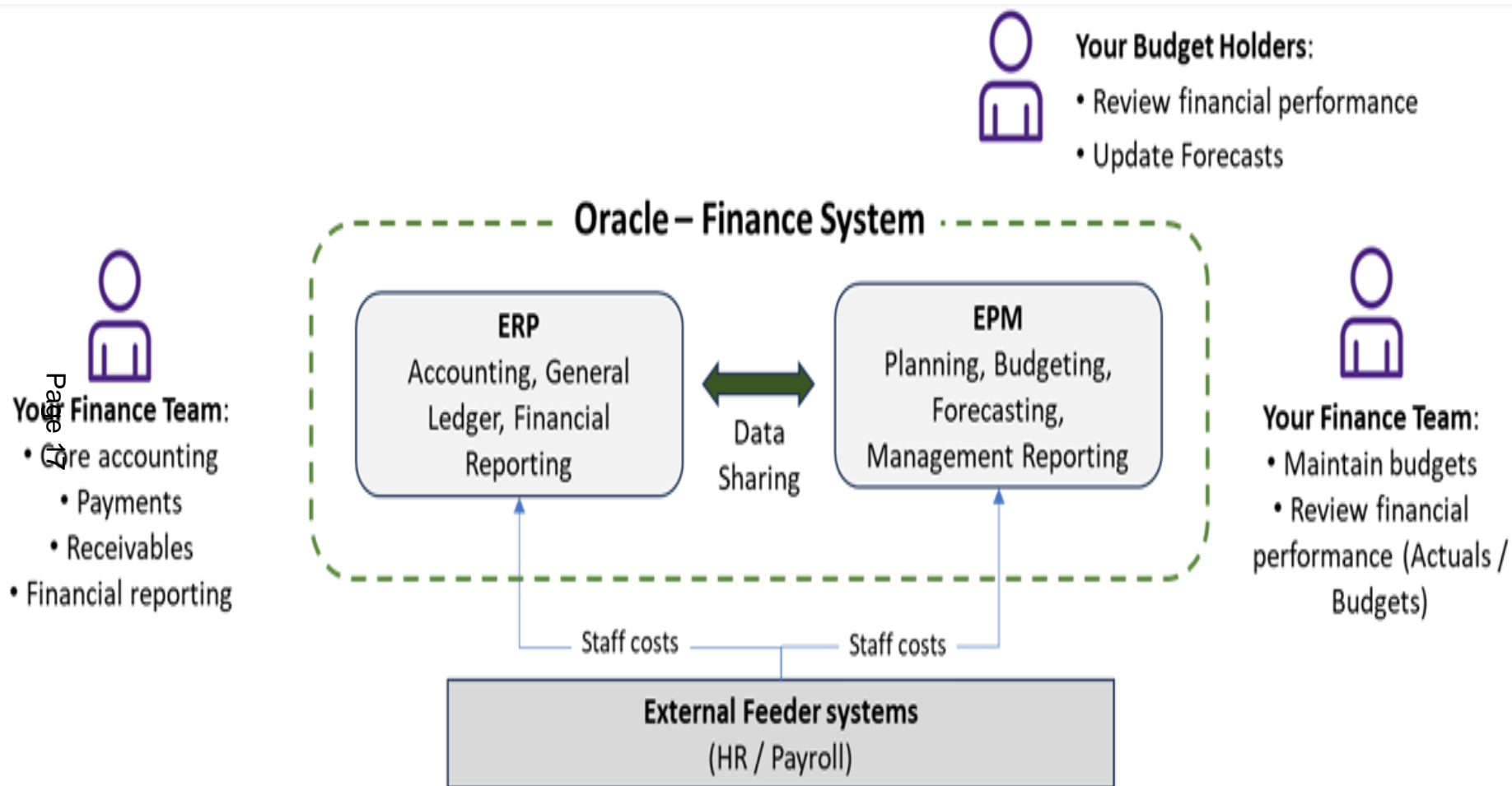


# The Council's Finance System

- The Council implemented its current finance system, Oracle Fusion, in April 2024. This version of Oracle is a cloud-based solution, meaning that the software is hosted remotely rather than on the Council's premises.
- This allows the Council to access standard functionality, based upon recognised good practice processes, with regular software updates and enhancements provided automatically.
- As a finance system the Council's product has two main components:
  - Enterprise Resource Planning (ERP): This is the core finance system which includes the General Ledger, through which accounting transactions are processed to produce the Council's financial statements, as well as Accounts Payable and Accounts Receivable sub ledgers.
  - Enterprise Performance Management (EPM): This is the Planning and Budgeting tool, used by both Finance and Budget Holders to manage and monitor performance against Budgets and to update forecasts.
- EPM supports tailored reporting and analysis, including real time dashboards, and enables users to interrogate transactions to monitor performance in detail.



# The Council's Finance System



# Phase one Deliverables

- The initial stage of the Finance Modernisation Programme is organised into six workstreams to address immediate priorities:
  - Supporting a robust understanding of 24/25 outturn and financial targets for 25/26, and
  - Improving resilience in core finance processes and systems.
- Work in this phase has also validated critical areas of improvement to strengthen the Council's financial management capability.

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# Phase one Deliverables

## Prioritised Deliverables

Workstream	Description
Accounting & Control	Identification and assessment of areas of risk in the Council's Accounting processes and Controls and 24/25 Year End preparations.
Budget Monitoring	Implementation of good practice Budget Management and Capital Monitoring processes and supporting tools (excluding Oracle)
Oracle EPM (Planning System)	Implementation of key functionality to support Budget Management and Capital Monitoring through Oracle Fusion.
Finance Systems Support (ERP)	Support to develop the capacity and capability of the Council's Finance Systems team, to deliver improvement in the basic operation of Oracle, reduce manual intervention and risks related to access control and routine updates.
Finance Operating Model	Establish a new delivery model for a modern finance service to the Council.
Supplier Contract Review	Expert review of the current managed service and supplier performance and options / recommendations to continue, exit or migrate to a model that better supports the Council's needs and drives innovation.



# Further Planned Deliverables

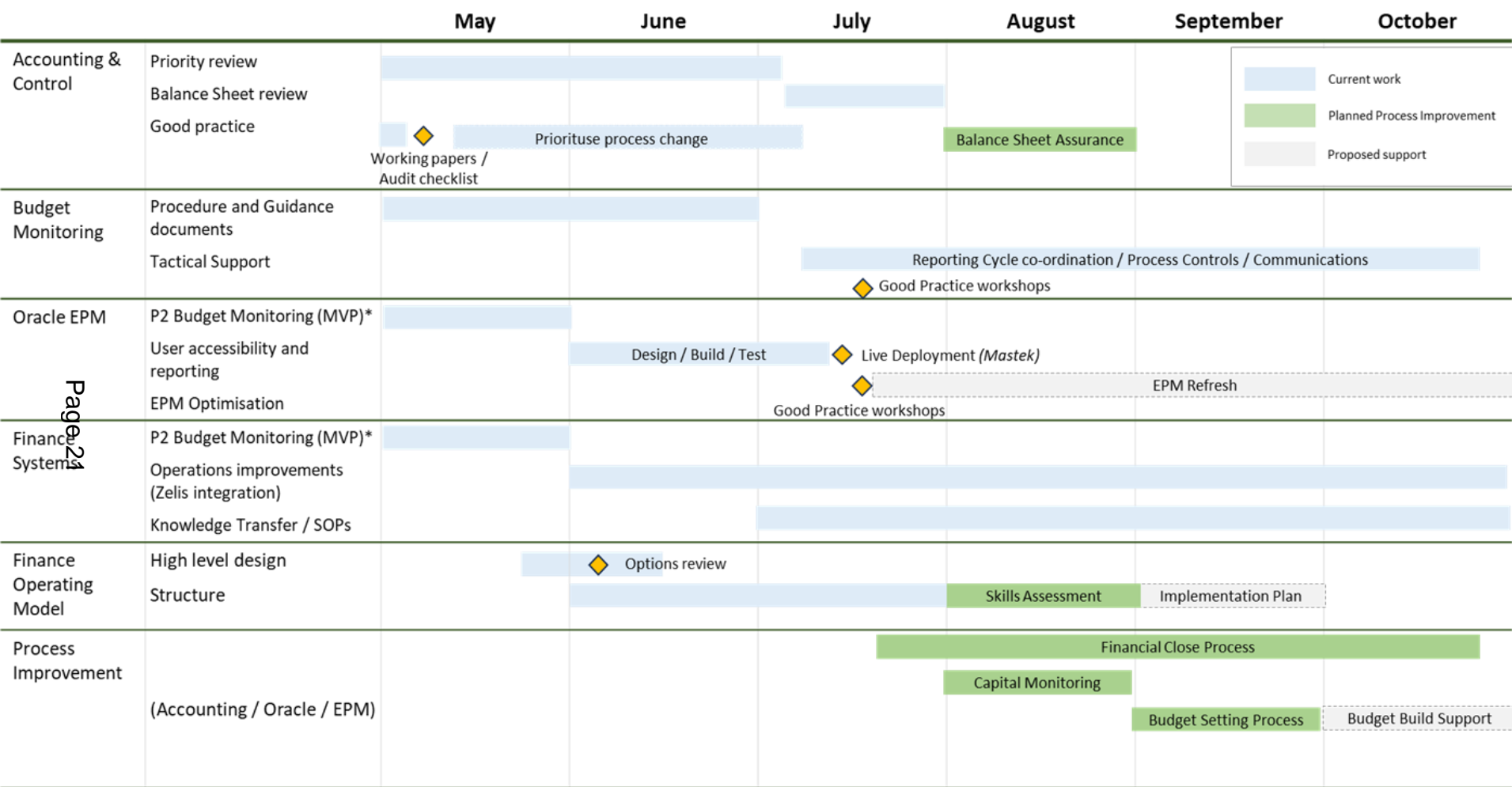
A range of further improvement actions to deliver sustainable change, embedding efficient and effective processes and controls have been identified and are currently being planned.

## Planned Improvements

Workstream	Description
<b>Balance Sheet Assurance Process</b>	Documentation of best practice process, procedures and reporting to ensure the ongoing integrity of the Council's Balance Sheet.
<b>Financial Close Process</b>	Documentation of good practice processes and procedures to enable the Council to close its ledgers and report on its financial position (Monthly/ Quarterly/ Annually). Support for planning and implementation of revised processes and procedures.
<b>Budget Setting Process</b>	Documentation of processes and procedures for Budget Setting based upon recognised good practice.
<b>Capital Governance</b>	Documentation of processes and procedures for Capital monitoring and Governance based upon recognised good practice.
<b>Oracle EPM Refresh</b>	Simplification of EPM structures and reporting: <ul style="list-style-type: none"><li>• Use of core functionality, removing duplication and complex configuration</li><li>• Update of existing reports</li></ul>
<b>Oracle ERP Enhancement</b>	A range of improvements to functionality and operational efficiency, including: <ul style="list-style-type: none"><li>• Improved integration with feeder systems</li><li>• Implementation of Risk Management Module</li></ul>



# Plan On a Page



# Appendix One: Workstream Status Report

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# Workstream: Accounting and Control

## Purpose of the workstream

This workstream aims to carry out procedures related to the Council's financial reporting, including a review of current approaches and treatments. The objective is to assess whether these align with the principles set out in The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, issued by CIPFA.

## Deliverables

Phase one Deliverable	Description	Status
<b>Collection Fund</b> – Usable Reserve Review	Completion of a review into the controls and accounting treatments used to calculate the Council's 2024/25 usable collection fund.	Complete
<b>Collection Fund</b> – Review of provision for bad debt methodology	Completion of a review into the Council's approach to calculating its bad debt provision and subsequent guidance on updating its calculation methodology including provision of an MS Excel template for future calculations.	Complete
<b>Collection Fund</b> – reconciliation of system reports to the ledger and working papers.	A review was carried out to provide assurance that the 2024/25 amounts (£) from the Council Tax and NDR system were being correctly reflected in the Council's financial ledger and supporting working papers.	Complete
<b>Collection fund</b> – Review of NNDR appeals methodology/ approach	Update the success rate percentages (based on past history of success rates) and include forecast for appeals not yet lodged (which were previously excluded from the methodology).	Complete
<b>Collection Fund Account</b> – Estimate the declared surplus/deficit as at 31/03/2026 that impacts on 2026/27	Re calculating this estimate using various sources of information within the Council. Development of a new MS excel template was developed for the council to use going forward.	Complete
<b>Capital Financing Requirements (CFR)</b>	Review of calculation of the CFR and reconciliation Minimum Revenue Provision (MRP).	Complete
<b>HRA Item 8 Debits / Credits</b>	Review of accounting treatment and assumptions against Item 8 Debit and Credit determination requirements.	Complete
<b>Goods Received Note Invoice (GRNI) review</b>	This review is to provide assurance on the balances generated in the financial ledger by the GRNI process are correct in terms of identifying where purchase orders have been goods receipted but there has been no subsequent payment of an invoice.	Complete

# Workstream: Accounting and Control

## Deliverables

Phase one Deliverable	Description	Status
Additional Work Completed		
Balance Sheet Review	Review of other Balance Sheet items – Other Debtors and Creditors, Other Provisions, Grants in Advance.	In Progress
Good Practice Guidance	Guidance documents detailing the key elements (format, content, supporting evidence, governance/sign-off etc) of a year end working paper.	Complete
Oracle Fusion opening balances	A reconciliation of Oracle R12 balances (31 March 2024) to opening Oracle Fusion balances (1 April 2024) and reconciliation of closing Oracle R12 balances to 2023/24 SOA to check the correct starting position for 2024/25 in Fusion. Identify/ quantify differences.	Complete

# Workstream: Budget Monitoring

## Purpose of the workstream

This workstream is focused on preparing updated budget monitoring processes, based upon recognised good practice. As part of this initiative, three key documents have been produced: (guidance documents, forecasting accuracy analysis and a good practice framework).

## Deliverables

Phase one Deliverable	Description	Status
<b>Budget and capital monitoring guidance documents</b>	Development of comprehensive budget and capital monitoring guidance documents. Resources have been designed to clarify roles and responsibilities, standardise procedures, strengthen current processes and support decision making at the Council.	Complete
<b>Budget and capital monitoring procedure manual</b>	Development of a manual that provides a clear and structured framework to ensure consistency, transparency, and accountability across service lines.	Complete
<b>Forecasting accuracy analysis (Historic data) to improve forecasting quality</b>	Undertaking of forecast accuracy analysis using historic budget and outturn data to assess past forecast reliability, identify patterns and variances and strengthen future forecasts. Identified areas of improvement from both a subjective and objective perspective.	Complete
<b>Good practice inputs and outputs framework</b>	Development of input and output templates, which follow industry best practice on monitoring and forecasting.	Complete
<b>Training materials and train the trainer sessions</b>	Tailored training content is being designed and delivered to the Council's trainer groups and process leads. The aim is to equip them with the knowledge and tools needed to effectively provide training to budget holders and senior managers. This training will be aligned with the recently developed budget and capital monitoring manuals and guidance documentation.	In Progress
<b>Capital Governance</b>	Development of Governance arrangements and supporting procedures for Capital programme monitoring and reporting	In progress

# Workstream: Oracle EPM

## Purpose of the workstream

This workstream is focused on the implementation of key Oracle EPM functionality to enhance the Council's approach to budget and capital monitoring.

## Deliverables

Page 26	Phase one Deliverable	Description	Status
	<b>Amend Planning Forms to improve Usability</b>	Amendments to forms to improve useability for budget holders: bring Cost Centre into the rows rather than Page to allow multiple cost Centres to be planned simultaneously.	Complete
	<b>Amend Planning Reports and allow drill down within EPM to lower levels</b>	Amend existing reports to include additional content and improves flexibility of use	In Progress
	<b>Drill down from EPM to a custom OTBI Report to be sent to Budget Holders</b>	Creation of the link between EPM and the Oracle Transactional Business Intelligence (OTBI) report to allow users to drill down to the transaction level in the General and Chart of Accounts.	Complete
	<b>Amend Employee Planning to be based upon Employee Budgeted figures or an annualised one rather than Actual</b>	Moving of the existing logic to not utilise the current month actuals for forecasting but the budgeted or annualised view (currently it is using the left-hand column but should use the right-hand column – names to be confirmed).	On Hold
	<b>Drill down from EPM to Oracle GL</b>	Enable the drill down between EPM and ERP through the data exchange integration	On Hold
	<b>Update the use of Tasks and Workflow to Task Manager</b>	Creation of Task Manager and relevant reporting supporting both the monitoring of the process and the managing of the process	On Hold

# Workstream: Oracle EPM

## Deliverables

Phase one Deliverable	Description	Status
<b>Report of Access to EPM by Budget Holders</b>	<ul style="list-style-type: none"><li>EPM Audit: switching on of relevant audit functionality of EPM to monitor access and changes (Not Workflow)</li><li>EPM User Access: a report can be generated from the security layer or by Oracle to allow monitoring of access.</li></ul>	In Progress
<b>Alignment of ERP and EPM hierarchies</b>	<p>Integration of Primary Metadata between ERP &amp; EPM created (Database tables, Objects, Views) to improves interaction between ERP and EPM.</p> <p>Integration of alternate hierarchies between ERP and EPM to ensure consistency of data flows.</p> <p>Integration setup to run each night (time to be determined) to maintain commonality on relevant Segments.</p>	On Hold
<b>Update of Cross Validation rules to Reflect New ERP Hierarchies</b>	Validation rules in EPM are set up ensure data entry at appropriate combinations is set up and in alignment with ERP.	On Hold

# Workstream: Finance systems - ERP

## Purpose of the workstream

Support to build capacity and capability in your inhouse team and deliver improvement in the basic operation of Oracle ERP.

## Deliverables

Phase one Deliverable	Description	Status
<b>GL Encumbrance Accounting</b> Carry Forward Rules to be configured	Encumbrance Carry forward process configured Encumbrance balances transferred from prior year to current year Release Note written	Complete
<b>Review &amp; Guidance on budgets write back from EPM to ERP</b>	Review the status of write back process, ensure write back works from EPM to ERP Provide Mechanism to view/extract Control Budgets in ERP	Complete
<b>Update Custom Report for ERP Budget Monitoring</b>	Columns on the report to be reduced to only include relevant columns Report to display output on UI instead of an Excel download Some parameters are defaulted and need no user input	In Progress
<b>Extract Payroll from Oracle ERP GL (and remove Payroll/EPM integration)</b>	Creation of the integration through data exchange to include Employee level information into the employee planning Validate FTE or headcount information to be pulled into Planning also and if not ensure that the input of this and calculations remain	Complete
<b>CIS / VAT Accounting</b>	Update of General Ledger posting rules to post CIS transactions to correct account.	Awaiting Deployment
<b>Update Custom Report for ERP Budget Monitoring</b>	Columns on the report to be reduced to only include relevant columns Report to display output on UI instead of an Excel download Some parameters are defaulted and need no user input	Awaiting Deployment
<b>Segmental Security</b>	Develop options to improve data security / visibility in Budge Holder reporting from ERP / EPM	In Progress
<b>Interim Data Validation and Control</b>	The Council processes approximately 100 personnel changes per month, which currently need to be manually updated in Oracle. Poor quality input data takes 1 to 2 days per month to cleanse and delays monthly Budget Monitoring. As an interim solution, while automation is prepared, we are: <ul style="list-style-type: none"> <li>• Adding data validation and controls to the input files to reduce errors</li> <li>• Providing resource to review errors, addressing the with originators and documenting future improvement actions and user guidance.</li> </ul>	In Progress

# Workstream: Finance structure

## Purpose of the workstream

Establish a new delivery model for a modern finance service to the Council.

## Deliverables

Phase one Deliverable	Description	Status
High level structure	Develop a high-level target structure for the future finance organisation, to be agreed with programme leadership.	Complete
Benchmarking	Benchmarking comparison to support sizing of the future finance organisation.	Complete
Detailed organisational structure	Develop a detailed organisational structure (all roles) for the future finance organisation	Complete
Transition plan	Develop a high-level transition plan aligned to change levers / enablers	In Progress

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## GOVERNANCE REVIEW IMPROVEMENT PLAN AND FINANCE MODERNISATION PROGRAMME

<b>Committee name</b>	Audit Committee
<b>Officers reporting</b>	Matthew Wallbridge, Chief Operating Officer
<b>Papers with report</b>	Governance Review Implementation Plan
<b>Ward</b>	N/A

### HEADLINES

The Governance Review Improvement Plan (GRIP) is Hillingdon Council's strategic response to identified governance areas for improvement. It aims to strengthen internal controls, clarify internal decision-making, and improve accountability -ensuring the Council is well-governed corporately, financially resilient, and transparent.

The Finance Modernisation Programme (FMP) is a significant transformation initiative by the London Borough of Hillingdon to review and strengthen the Council's financial systems, processes, and structures.

The Audit Committee will receive an update on progress with both items.

**RECOMMENDATION: That the work on the GRIP and the FMP be noted and the Committee seek any clarifications and assurances and provide comments to officers.**

### SUPPORTING INFORMATION

At the last meeting the Committee were introduced to:

- a) the GRIP - a strategic programme launched by the London Borough of Hillingdon in March 2025 to address key governance weaknesses identified in several reviews and
- b) the FMP - initiated to address budget challenges and to modernise the Council's financial infrastructure. With the appointment of Grant Thornton in April 2025 to support this work, it's aim is to assist the Council in modernising its financial processes, strengthen its financial management, develop a modern finance function, and embed processes and controls in the Council's financial system, Oracle.

It was agreed that the Committee would receive an update on progress with the above at each subsequent meeting.

Relevant officers will provide an update on delivery.

BACKGROUND PAPERS: Nil

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# Governance Review Improvement Plan (GRIP)

## Executive Summary and Purpose

The accountability and governance arrangements in the Council are established but need to be reset, developed and improved further to manage the increasingly complex and high value projects being undertaken to deliver the challenging MTFS savings targets as approved by Council on the 27th February 2025.

The Governance Review Improvement Plan (**GRIP**) was therefore commissioned and sponsored by Tony Zaman, as Chief Executive and Head of Paid Service, in early March 2025. It will focus on three (3) workstreams, and be overseen by the Corporate Governance Group, which will take regular reports from the individual workstream leads. It is intended that the use of workstreams will bring focus and rigour to the financial and governance management process.

## GRIP Programme and Workstreams

The GRIP will consist of the following three (3) workstreams:

1. Financial Governance - lead by the Council's s151 Officer
2. Directorate (Officer Decision-making) Governance - lead by the Council's Chief Operating Officer, on behalf of the Council's Head of Paid Service
3. Remaining Areas - i.e. Constitutional/ Democratic Governance - lead by the Monitoring Officer

Each Workstream will have two stages:

1. Governance Review Improvement Plan - a review phase, whereby the Council takes stock of recommendations provided by an independent review, or auditor
2. Governance Recommendations Implementation Plan - an implementation phase, where the Council will set out its plan of action and detail for implementing the GRIP recommendations, providing updates on progress

The workstream leads will report on progress with the delivery of their associated actions on the Governance Recommendations Implementation Plan to the Corporate Governance Group. The Corporate Governance Group via the Corporate Business Manager will manage and oversee the delivery of the Governance Recommendations Implementation Plan.

## Project Drivers and High-Level Issues

The workstreams will be responsible for delivering the recommendations as referenced in the following reviews that have been undertaken.

- Directorate Governance Int Audit report (Sept 2024)
- LBH Final Audit Results Report (5 February 2025)
- Note - recommendations to follow an Independent Review of Constitutional and Democratic Governance

The workstreams will also link to the Council Strategy Commitments of a well-run, sustainable council with sound financial management, achieving positive outcomes for residents. By establishing and delivering the outcomes from the three reviews through the creation of the three workstreams will provide a robust oversight that the Council it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

## Finance Modernisation Programme (FMP) and Engagement with Grant Thornton

Workstream 1 (Finance Governance) actions and improvements will be delivered in conjunction with the work being carried out by the Council via its Finance Modernisation Programme (FMP). The Council has engaged Grant Thornton in order to review areas including Oracle improvement work, and to provide further capacity and capability to enable financial improvements to be delivered at pace. This will be looked at going forward so as to dovetail with this work and also to explore if further assistance from Grant Thornton team may be required in relation to the broader FMP actions.

Governance Review Improvement Plan (Finance Governance)													
Theme	Title of Review	Recommendation	Actions	Detailed Delivery Actions	Senior Responsible Officer	Lead	Action Delivery Lead	Start Date	End Date	RAG Status	Quarterly Progress Update (April - June 2025)	Quarterly Progress Update (July - September 2025)	Quarterly Progress Update (Oct - Dec 2025)
Finance Governance Recommendations and Actions													
1.1 Financial Sustainability	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014)	The Council to build upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves in the context of the forecast levels of funding. (That the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025-26 budget and future medium-term financial strategy and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge or the Council fails to achieve all of its currently planned savings).	1. Agree a savings programme to deliver a balanced budget . 2. Deliver a mechanism for the regular review of savings progress and governance to change/add to savings depending on the levels of reserves. 3. Agree and implement spend control measures. 4. Review of the level of service provision across its services to ensure that the Council is striking an affordable balance between the monies it receives to fund services and the cost of those services. 5. Devise and roll out the updated Directorate Business and Financial Plan Template.(see ref: Directorate Governance workstream recommendation 2.1)	Through CMT and all SMTs:  1. Monitor delivery of agreed savings programmes - M2  2. Monitor use of MTFS savings app to ensure tight control - M3 & M4.  3. Enforce spend control measures across the Council.  4. Ensure compliance of Business and Financial Plan Template across Corporate Directors	Matthew Wallbridge	Andy Goodwin	Matt Davis	01/04/25	31/03/26	A	1. The Council held a Star Chamber process starting in September 2024, which built on the ZBB exercise earlier that year, with this process setting out the saving proposals that ultimately Cabinet and Council approved, with Service Proposal Forms being completed for many of the savings setting out delivery and calculation methodologies. 2. Since the budget went live, the Council has launched a MTFS App to capture the full details of the savings project, with the app feeding into the Council's monthly monitoring process that will be fed back to Cabinet in line with the monitoring timetable. 3. Further challenge sessions were held in May and June to deliver additional savings that are currently being developed and reflected in the Month 2 monitoring. The impact of the review of the saving programme for Month 2 along with the initial estimate of these new measures will be included in the Month 2 budget monitoring report to Cabinet and refined as proposals are further developed. 4. Spend Control Measures have been introduced as part of the Spend Control Process and Governance that has been in place before the start of the financial year. This has been widened out from just recruitment, agency workers, additional hours, and additional responsibilities, to P card (purchasing cards) expenditure, expenses, overtime and procurement 5. The Council has established a Finance Modernisation Programme, this programme includes an Accounting & Control workstream which has been supporting the Council to establish a better understanding of its balance sheet and financial out turn for 2024/25. The workstream has reviewed the accounting treatment and controls across a range of balances, prioritised by the Council, including: - Collection Fund - Housing Revenue Account - Good Received Not Invoiced - Minimum Revenue Provision 6. The workstream has also provided best practice guidance for working papers and Audit preparation Work is ongoing to establish: - a thorough Balance Sheet Assurance process, ensuring the Council applies good practice processes in assurance of the Balance Sheet as part of routine financial closing. - a robust and effectively governed financial closing process with clearly defined processes and roles and responsibilities in the closing and reporting cycle.	1. Grant Thornton balance sheet review highlighted £14.1m of prior year expenditure that has been accounted for in the 2024/25 Outturn Report. This review has confirmed year end balances (the building blocks for 2025/26) and will be reflected in the 2024/5 Statement of Accounts. 2. Work undertaken on 2024/5 Outturn and Month 2 2025/6 Monitoring Report has led to the Council entering the Exceptional Financial Support (EFS) process to ensure it delivers a balanced budget. 3. Work has starting in August on the 2026/27 budget process taking the above points into consideration. Star Chambers started and throughout the remainder of August and early September to identify savings for the 2026/27 budget as well as quality assuring the savings approach and monitoring. 4. Additional spend control measures in place with the introduction of enhanced Contract Purchase Agreement (CPA) controls 5. Internal Audit fieldwork on Directorate Business and Financial Plans Template	
1.2 Service Delivery	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024	The Council to review its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.	• Review of the level of service provision across its services to ensure that the Council is striking an affordable balance between the monies it receives to fund services and the cost of those services.  • Devise and roll out the updated Directorate Business and Financial Plan Template (note ref Directorate Governance workstream - recommendation 2.1)	The impact of the review of the saving programme for Month 2 along with the initial estimate of these new measures to be included in the Month 2 budget monitoring report to Cabinet and refined as proposals are further developed.  In parallel to the M2 monitoring position, the Cabinet to also receive the 2024/25 Outturn position. This will enable the complete Council final position to be reviewed and consolidated in one meeting.	Matthew Wallbridge	Andy Goodwin	Matt Davis	01/04/25	31/03/26	A	1. This work commenced with the Star Chamber process in September 2024 which built on the ZBB exercise earlier in the year with the proposals for savings/service delivery models that were deemed viable being approved by Cabinet and Council in February 2025. The investment to deliver the savings/service delivery models were part of this process through transformation capitalisation which was also approved by Cabinet and Council in February 2025 2. Since the budget went live, CMT have met regularly to discuss cost control measures and the need to identify savings that can contribute towards the TOM saving or can deliver a one-off benefit for the Council to support the delivery of the 2025/26 budget strategy. 3.Capital transformation programme review and monitoring set up 4. See also the updates on the rollout of the Directorate Business and Financial Plans - (Directorate Governance workstream - recommendation 2.1)	1) Models have been reviewed by Officers as part of the Month 2 2025/6 Monitoring which was discussed by Cabinet in July. Outputs of the report highlight areas where more work is required. 2) Models are being reviewed as part of the Month 4 2025/6 Monitoring which will be presented to the Cabinet in September, and part of the current Star Chamber process.	
1.3 Schools Budget	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024	The Council to seek to balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2026.	1. The Council to seek to balance its school's budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. 2. Council to consider performing scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2026.	1. Officers to review existing and likely positions and outcomes. 2. The Council to continue to monitor the national picture on this issue - Note - This is a known national issue with many councils unable to fully fund their DSG deficits within General Fund reserves and resources.	Andy Goodwin	Andy Goodwin	Andy Goodwin	01/04/25	31/03/26	A	1. Since this recommendation was written, the Govt have recognised this as a national issue and have confirmed the continuation of the statutory override for another 2 years to March 2028. 2. The current DSG modelling suggests an in-year balanced budget by 2027/28, with the Council currently re-negotiating the Safety Valve Agreement with the Department for Education (DfE). DfE advisor commended the council on the evidenced delivery and forward plan 3. Based on the Council's current approach, without further DfE and/or Council contributions to the DSG deficit, the Council will continue to have a DSG deficit beyond March 2028.	1. The Councils Treasury advisors are assessing different mechanisms the Council, along with its other Council clients, can use to fund the DSG deficit to reduce the pressure on Council cash flows.	
1.4 Financial Forecasting	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024	The Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.	1. Deliver detailed finance procedures manual as described in the Constitution. To assist with clearly defining the responsibilities of budget holders and other individuals with finance responsibilities. Will assist in holding individuals to account and to promote the ownership of budgets. 2. Existing Financial Regulations to be updated as part of the Oracle Roll Out. (e.g. in regard to setting policies for budget setting, income, journals etc). 3. Current spreadsheet-based systems being used pending full EPM implementation, also need to be fully documented and communicated 4. Training to be delivered on the financial responsibilities and wider financial regulations to ensure effective governance and organisational financial management. The responsibility of all officers but should be well understood and supported by finance officers and business partners. They have a key role in promoting good practice and identifying areas of weakness and non-compliance, working to support colleagues across the Council to help them discharge their responsibilities.	1. Progress with the process underway under the banner of the Finance Modernisation Programme (FMP) that the Council is embarking on with partners Grant Thornton. 2. The Council to report on the expected financial position for 2025/26 will take place for the first time this year when the Month 2 monitoring cycle is completed and reported to Cabinet on 24th July, and the forecasting processes and underlying assumptions (as well as the 24/25 closure of accounts) will ensure this is a more robust and transparent process than last year. 3. Scrutiny finance training for Members to take place in September '25. 4. EPM to be refreshed over this period.	Andy Goodwin	Matt Davis	Andy Goodwin	01/04/25	31/03/26	A	1. All Select committees now receive budget scrutiny reports in 2025/26, on a regular basis, to monitor spend and delivery of savings and to enable them to hold Corporate Directors and (if required) Cabinet Members to account. 2. Additionally specialist training is being arranged on financial scrutiny for Select committee members in September 2025, with a view to regular training as part of the Member Training Programme. 3. EPM to be improved and used for M2 4. The Finance Modernisation Programme includes a Budget and Capital monitoring workstream to implement recognised good practice and support the Council with enabling these processes through its Oracle finance system. The workstream has: - Issued best practise budget monitoring guidance documents to finance and budget holders - Performed historic forecasting accuracy analysis to A) understand the accuracy and drivers of variances, and B) advise on development of automated forecasting techniques to support and inform the Council's forecasting processes. 5. Workshops on best practice budget monitoring processes and how the can be enabled by Oracle are being run with Budget Holders and senior finance staff. These workshops are re informing the Council's new process and the role and responsibilities of all stakeholders, and informing the design of Budgeting and Forecasting functionality with Oracle as part of a refresh of that solution.	1. As part of the closure process, updated processes now in place for assessing Collection Fund Bad Debt and Appeals Provision levels. 2. The Council are currently preparing for the next round of finance updates to Select Committees, with reports being written for discussion in those meetings that will cover the 2024/25 Outturn position and 2025/26 Month 2 forecast. 3. The workstream looking at how Capital is captured in the Oracle system, including a review of the Projects set up and EPM monitoring tool has taken place, with actions being delivered to start to address the challenges in capital budgets.	
1.5 - Financial Information	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024	1.5.1 The Council perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses such data, the maturity of its data quality processes and any limitations in the data it uses;  1.5.2 That having completed the data quality assessments, the Council should develop action plans to address any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary	1. Ensure that key data in the organisation that informs decision making are available and accessible to senior managers 2. Prepare Power BI dashboards that relate to the Council's performance and expenditure across all service areas, with a process for assessing data content and data quality in each.	1. The Finance Modernisation Programme to include workstream to improve processes and controls and improve Oracle functionality to enable modern processes and drive compliance with process and data standards. The Finance Systems workstream is to support a range of improvement actions including: - Integrations - Improving existing integrations with feeder systems and developing additional interfaces to significantly reduce the level of manual intervention in the transfer and validation of data into Oracle. This work will support and be informed by the Council's wider initiative to improve the data management. 2. The FMP/FS workstream to work on short term actions to improve data validation prior to transfer into Oracle and sustainable processes changes to reduce the high level of changes required to master data and ensure more robust management of cut off procedures to support Oracle maintenance and financial reporting processes. 3. End of year performance report to the Cabinet and also select committees. 4. End of year performance report to the select committees. 5. Performance reports to be taken to SMTs and CMT on a monthly basis to review progress, actions and data quality	Matthew Wallbridge	Darren Pe	lan Kavanagh/ Darren Eversden/ Matt Davis	01/04/25	31/03/26	A	1. A key action in the FMP is the forensic review of the balance sheet. GT are more than three quarters through this work, elements of which have informed the changes in the council's financial outturn position 2. There are now over 100 Power BI dashboards that relate to the Council's performance and expenditure. As part of the process data quality is assessed for each, and plans are put in place to improve the data quality of each dashboard. Detailed data quality work has taken place in areas like SEN with end to end process reviews and management plans to improve critical areas. There is a pipeline of a further 90 Power BI dashboards in this financial year. 3. Performance reports taken to SMTs regularly to review progress, actions and data quality 4. Performance reports taken to CMT on a monthly basis 5. Individual indicators to have action plans to improve data quality 6. FMP Finance systems workstream actions all underway with update on completed actions to follow	1. Annual Performance Report to be presented to Select and then full Cabinet in September 2025. These will be subsequently presented to Select Committees 2. MTFS BI Dashboard devolved to track savings progress, presented to SDB and live access to all Directors, Senior Managers and Cabinet Members.	
1.6 Capacity and Capability	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024	The Council to review the capacity and skill mix within the Council's finance team to ensure that the Council is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Council's financial performance by stakeholders.	1. Recruit to a permanent s151 officer role. 2. Commission and fund specialist capacity and capability to extra support to deliver the audit recommendations and the improvements in the CiPFA report. This is to align with the improvements needed in the Oracle programme 3. Restructure the Finance directorate, and review the additional areas within finance	1. Deliver restructure and recruitment campaign to deliver the right skills and capacity to deliver the outputs from the FMP. 2. In the interim bring in extra capacity and capability to deliver the FMP through consultants who have the experience, tools and techniques to accelerate the improvements. 3. The Finance Moderation Programme is to support key actions to improve capacity and capability with the Council's finance team, these include: - Advice into the designing of senior finance roles including S151 Officer - Design of a new finance operating model, including finance team structure - Mapping of detailed tasks and roles and responsibilities across the new finance structure - Advising on the transition approach to move from the As to Bs to Be structure aligned to achievement of process and technology based improvements. 4. Further transition planning activities include: - development of a full competency model for all finance roles - detailed skill assessment across all finance roles	Matthew Wallbridge	Andy Goo	Andy Goodwin	01/04/25	31/03/26	A	1. GT engaged to deliver the FMP. 2. Recruitment of new Corporate Director of Finance and S151 Officer complete - Council confirmed S151 appointment on 10 July '25. 3. The Finance Modernisation Programme has undertaken a high level review of the Council's finance function operating model to understand how the Council can improve processes through finding efficiencies. This review has involved benchmarking analysis around resourcing and costs for core finance function processes. 4. Draft finance structure being reviewed 5. Recruitment process for the S151 reports underway	1. New Corporate Director of Finance (s151) to commence work at the start of September 2025. 2. As part of their engagement Grant Thornton, to add capacity and specific Oracle expertise to help drive the Finance Modernisation Plan forward work delivered to August has included: - an updated interface to the existing Oracle EPM forecasting model to allow input of multiple cost centres. - a financial review of the balance sheet which identified £14.1m of prior year adjustments that were actioned as part of the 2024/25 Outturn Report advice. - validation of Council data migration totals from the existing R12 Oracle solution to the new Oracle Fusion solution. - review of the existing EPM forecasting solution and associated interfaces which has highlighted efficiencies to be implemented. - System improvements in the ERP system including shortening requisition approval timetables, cost centre setup, and tracking of hierarchy changes.	

# Governance Review Improvement Plan (Directorate Governance)

Theme	Title of Review	Recommendation	Actions	Detailed Delivery Actions	Senior Responsible Officer	Lead	Action Delivery Lead	Start Date	End Date	RAG Status	Quarterly Progress Update (April - June 2025)	Quarterly Progress Update (July - September 2025)	Quarterly Progress Update (Oct - Dec 2025)
Non Finance Recommendations and Actions													
2.1 - Directorate Business and Financial Plan Template	Internal Audit Report on Governance September 2024	1. The Directorate Business and Financial Plan template should be updated to require directorates to set clear objectives aligned to the Council's corporate/strategic objectives.  2. These objectives should then be taken into consideration when allocating resources, developing directorate action plans and setting key performance indicators for the 2025/26 year.  3. The Directorate Business and Financial Plans should be reviewed and approved through CMT to ensure there are no cross-directorate impacts, and they are consistent with the wider corporate/strategic objectives.	1. Complete a review and update of the business and financial planning requirements, including corporate objectives and business plan template.  2. Ensure Directorate Annual Plans are in place for all areas.  3. Template to be reviewed Annually and brought to CMT for approval.  4. Directorate Business and financial plans to be completed annually by CMT.  5. CMT to monitor Directorate Business and financial plans quarterly.	1. Updated Directorate Business and Financial Plan Template to be approved by COO.  2. Circulate the Directorate Business and Financial Plan Template to all Corporate Director's to complete with a deadline date. Directorate Business and Financial Plans to be sent to Corporate Business Manager.  3. Schedule all Directorate Business and Financial Plans to be approved by CMT.  4. Circulate final Directorate Business and Financial Plans to CMT.  5. Save all final Directorate Business and Financial Plans in the SMT SharePoint folder.  6. Template will be reviewed by CMT on an annual basis.  7. Directorate Business and financial plans will be completed annually for approval at CMT.  8. CMT will monitor Directorate Business and financial plans quarterly.  9. The updated Directorate Business and Financial Plans, once underway and having been in place for a time, will be the subject of an internal audit exercise to consider areas for improvement (what has worked well vs. what has not etc)	Matthew Wallbridge	Darren Persaud	Michelle Smith	31/03/25	30/07/25	A	1. Business and Financial Plan Template draft settled by COO then discussed at CMT and sent to all Corporate Directors  2. The Directorate Business and Financial Plan Template has been circulated to all Corporate Director's to complete with a deadline date and a copy sent to the Corporate Business Manager.	1. All scheduled Directorate Business and Financial Plans have been approved by CMT.  2. Final Directorate Business and Financial Plans have been circulated to CMT.  3. Directorate Business and Financial Plans are to be uploaded into the CMT SharePoint folder.  4. The Directorate Business and Financial Plans internal audit exercise (to consider areas for improvement) will commence in Sept with a view to a report being prepared for end of Oct4	
2.2 - SMT Standardisation and Reporting	Internal Audit Report on Governance September 2024	1. CMT to agree a standard agenda template and reporting schedule for all SMT meetings covering the following key areas of governance as a minimum:  1.Workforce 2.Service delivery & performance against set objectives 3.Financial performance 4.Risk management 5.Key Projects  2. The SMT reporting schedule should also be aligned to the CMT reporting schedule to ensure any issues identified within the Directorates are appropriately escalated to CMT. System to ensure Directors are held to account for maintaining these SMT meetings in line with the agreed expectations and format.	1. As part of the review of governance and corporate working across the Council, a new standardised meetings structure and agenda for management and governance arrangements to be implemented. Standard Agenda/Minutes template to be produced for CMT & SMT meetings  2. Minutes should be recorded for all Directorates, which should be including the topics of discussion, and any decisions or actions agreed. Actions should be followed up at the next meeting to ensure they are completed.  3. A formal Corporate Governance Group (CCG) (formerly an informal statutory officers governance group) to be set up and will regularly (and annually) undertake a review of the effectiveness of Directorate Governance arrangements including how actions have been implemented and make recommendations for governance improvements for the ensuing year to be included in the GRIP.	1. Set up the SharePoint folder for CMT's, following a similar design to the CMT SharePoint Folder.  2. Email Executive PA's to inform them of the CMT SharePoint folder, and ask them to save all papers in that folder.  3. Standard Agenda/Minutes template to be produced for CMT & SMT meetings. Circulate the template agenda for Directorate SMT's, to Corporate Director's and their Executive PA's advising that this is the template to be used for all CMT & SMT meetings going forward.  4. Set up a Corporate Governance Group (CCG)	Matthew Wallbridge	Mark Braddock/ Lloyd White	Michelle Smith	31/03/25	28/02/26	A	1. Shared folder created for CMT, Internal Groups and SMTs.  2. Communications with PAs awaited pending security access.  3. New standard agenda and minute templates created and agreed for CMT, SDB, Groups and SMTs. Roll out across all internal bodies ongoing. Templates agreed by CMT on 29 May.  4. Additional delivery action to enhance internal governance: - New Corporate Tracker App, aligned with Cabinet Forward Plan now assists CMT/SDB by tracking key executive business through internal bodies before final decision democratic. This will ensure stronger internal governance and accountability, better coordination and robust decision-making. The Cabinet Forward Plan is discussed at CMT monthly, whilst the aligned Corporate Tracker, weekly at SBD.  5. Corporate Governance Group (CCG) first meeting on 19 March 2025. Further meetings were held monthly - on 25 March, 1 May, 3 June, reviewing the GRIP progress, and governance related issues generally.	1. PAs/Eas and Corporate Directors advised of new templates to use going forward. SDB using new templates, CMT using new templates w/e 16 July 2025, SMT's usage being rolled-out.  2. New internal briefing "business proposal" template prepared aligned to new Cabinet/Cabinet report template under review to simplify reporting requirements.  3. CCG meeting held 8 July 2025, reviewing the GRIP progress, and governance related issues generally	
2.3 - Review of Governance Arrangements (Senior Management Meetings)	Internal Audit Report on Governance September 2024	1. The scope and frequency of the Senior Management Meetings should be reviewed to ensure it facilitates cross-directorate collaboration and information sharing. CMT should agree formal reporting arrangements to escalate issues and decisions from individual Directorates to ensure the wider impacts on other services can be considered. Where key issues impact on more than one directorate, separate project boards should be established providing a forum for collaboration between the relevant services.	1. Complete a review of the reporting/governance arrangements and implement changes at all management levels, including working with Elected Members, to deliver the Council priorities.  2 A review will be carried out on the officer decision-making structure and tiers of management meetings, with a schematic prepared showing key officer groups, their terms of reference and their relationship between SMTs and reporting lines into CMT. This to be agreed at CMT and rolled out with training/briefings for managers.	1. Review the frequency of the SMM, and then agree frequency with the COO.  2. Create a forward plan of topics to be covered at SMM meetings.  3. Schedule the SMM forward plan at CMT for approval.  4. Share forward plan with SMM.	Tony Zaman	Matthew Wallbridge	Angela Laws	31/03/25	28/02/26	A	1. SMM meetings clarified for 25/26 2. Future agenda items discussed at CMT 3. Draft schedule for SMM  2 Completed the review on the officer decision-making structure and tiers of management meetings. Completed schematic showing key officer groups, their terms of reference and their relationship between SMTs and reporting lines into CMT. This has been agreed at CMT and rolled out with training/briefings for managers.  3. Since the budget went live, the Council has launched a MTFS App to capture the full details of the savings project, with the app feeding into the Council's monthly monitoring process that will be fed back to Cabinet in line with the monitoring timetable.	1. SMM schedule and plan agreed for 25/26  2. Further training provided to managers on the officer decision-making structure and tiers of management meetings, i.e. schematic showing key officer groups, their terms of reference and their relationship between SMTs and reporting lines into CMT. NB follow-up training provided at SMM on 17 July 2025.	
2.4 - Corporate Governance Arrangements Training	Internal Audit Report on Governance September 2024	1. Training should be provided to Corporate Directors and Senior Managers on a yearly basis, and during the induction of newly onboarded Directors/Senior Managers.  2. The training should cover the core principles of governance, and link to wider sessions on budget monitoring/financial performance, workforce planning, service delivery and risk management. This will provide the Directors with a uniformed approach to the expected levels of governance within the Council.  3. CMT should collectively review their governance arrangements on an annual basis and agree actions to address any areas of improvement.	1. Briefings and training on Corporate Governance arrangements will be delivered to all managers. Link to wider sessions on workforce planning, service delivery and risk management. This will provide the Directors with a uniformed approach to the expected levels of governance within the Council.  2. Training to be delivered on the financial responsibilities and wider financial regulations to ensure effective governance and organisational financial management. The delivery of financial governance set out in the Constitution is the responsibility of all officers but should be well understood and supported by finance officers and business partners. They have a key role in promoting good practice and identifying areas of weakness and non-compliance, working to support colleagues across the Council to help them discharge their responsibilities.  3. Establish and communicate to Directors and Budget Managers, accountability and ownership for their respective roles.  4. Division of responsibility between the budget holder and finance business partners needs to be reviewed and clarified. Due to a high degree of reliance being placed on finance business partners in the services to be the custodians of financial data rather than the budget holders themselves.	1.Roll out the annual training programme for leaders/managers  2.Democracy / Governance Master Class to made mandatory for new Team Managers and above.  3.CMT to review annually its effectiveness and ToR 4. NB: annual review to be undertaken by CMT via the AGS	Matthew Wallbridge	Mark Braddock	Angela Laws	31/03/25	31/03/26	A	1. Paper going to CMT 23 July to update mandatory training programmes, which will be open to all staff and include annual, bi-annual and 3 yearly mandatory training programmes. Additional report going to CMT on proposed senior manager training overing coming month.  2. The well-established Democracy and Governance Master Class is mandatory for all new Team Managers and above. Additionally, all new Corporate and key Directors receive political and Democratic Governance briefings from the Head of DS or Democratic Services Manager as part of their induction.	1. Governance masterclass session at SMM in July 2025  2. Creating a wider "governance toolkit" intranet site, aligned/linked to the Cabinet toolkit intranet site. Cabinet toolkit has been simplified and made clearer for staff in terms of knowing who makes decisions and process for preparing executive reports for decision.  3. Key governance areas included in performance appraisals i.e. mandatory training, risk management, budget management	
2.5 - Minute taking and action planning	Internal Audit Report on Governance September 2024	1. Minutes should be recorded for all Directorates, which should be including the topics of discussion, and any decisions or actions agreed. 2. Actions should be followed up at the next meeting to ensure they are completed.	1. Minutes of Directorate meetings to be recorded and retained 2. Action items lists to be maintained and monitored	1.To ensure minutes / action lists are maintained on shared folders 2. This to be reviewed as part of GRIP monitoring by CCG	Matthew Wallbridge	All Corporate Directors	Michelle Smith	31/03/25	31/03/26	G	1. Minutes for CMT, SDB and SMT meetings are kept and recorded and are kept on shared folders	Action trackers being monitored	

# Governance Review Improvement Plan (Constitution & Democratic)

Theme	Title of Review	Recommendation	Actions	Detailed Delivery Actions	Senior Responsible Officer	Lead	Action Delivery Lead	Start Date	End Date	Status	Quarterly Progress Update (April - June 2025)	Quarterly Progress Update (July - September 2025)	Quarterly Progress Update (Oct - Dec 2025)
Non Finance Recommendations and Actions													
Constitutional and Democratic Governance	Constitution	To be delivered											
3.1 - Constitutional and Democratic Governance	Healthcheck', Independent Review of Constitution and related Democratic processes - Lawyers in Local Government (LLG)	<p>As part of the Stage 1 exercise, an external review ('healthcheck') of the Council Constitution will be carried out by LLG with recommendations to be forthcoming from that exercise.</p> <p>Following that, as part of Stage 2, those recommendations will be reported to Members for consideration and populated into this section of the GRIP document. An action plan will be prepared for implementation of those changes agreed by Members.</p>	<p>1. LLG to be engaged as external expert consultants to review key areas of Council constitution to ensure it provides modern, efficient, effective and lawful governance for the Council.</p> <p>Key areas to be reviewed:</p> <ul style="list-style-type: none"><li>* Member and Co-opted Member Code of Conduct</li><li>* Scheme of Delegation to Officers</li><li>* Procurement Standing Orders</li><li>* Exempt Information Protocols.</li><li>* A review of Member / officer roles and relations - in particular with reference to financial governance.</li></ul>	To be populated from the outcome of the LLG review	Lloyd White (as MO)	Daniel Toohey	Mark Braddock	01/06/25	01/11/25	G	LLG contacted and a brief has been prepared and costed. Under consideration.	LLG have been appointed and have commenced the review.  Final report with consolidated recommendations - aim be delivered by end September 2025	Note - Report and recommendations to be updated into GRIP document for Audit Committee 18 November 2025

## Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Andy Goodwin, Interim S151 Officer
<b>Papers with report</b>	Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014
<b>Ward</b>	All

### Introduction

1. On 24 July 2025, the Council's External Auditors issued the Council with a Value for Money Update and Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 (S24 Report) – attached as an appendix.
2. The report reiterates the previous recommendations in the External Auditors' report dated 18 March 2025, emphasising the crucial nature of the work that the Council has been undertaking for some time in implementing those recommendations, particularly noting, and further recommending, that the Council must continue working at pace with its Governance Review Improvement Plan (GRIP), the Finance Modernisation Programme (FMP) and, as part of the FMP, addressing issues with the implementation of the Oracle EPM budget management system.
3. These two programmes of work, amongst a wider continuous improvement approach, address all of the External Auditor's recommendations.
4. The FMP and GRIP emerged from the Council's ongoing approach to improve and transform services and have been previously presented to the Audit Committee, with a resolution that the committee will track their progress.
5. The FMP is a significant transformation initiative by the London Borough of Hillingdon to review and strengthen the Council's financial systems, processes, and structures. It was initiated to address budget challenges and to modernise the Council's financial infrastructure. With the appointment of Grant Thornton in April 2025 to support this work and with the Local Government Association (LGA) providing objective oversight, it's aim is to assist the Council in modernising its financial processes, strengthen its financial management, develop a modern finance function, and embed processes and controls in the Council's financial system, Oracle. Whilst this programme is closely aligned with the Council's wider GRIP, it is recognised as a distinct and equally critical stream of work.
6. The GRIP is Hillingdon Council's strategic approach to enhancing its governance and implementing learning from related reviews presented to earlier Audit committees. It aims to strengthen internal controls, clarify internal decision-making, and improve accountability, ensuring the Council operates a continuous improvement approach to being well-governed corporately, financially resilient, and transparent. The programme was launched in March 2025, led by the Corporate Governance Group. The GRIP is structured around three

workstreams - financial governance, directorate governance, and constitutional/democratic governance - each with defined actions and leadership.

#### **RECOMMENDATIONS: That:**

- a) The recommendations of the external auditor contained within the report issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, be noted.**
- b) The programmes of work already in place to address the recommendations be noted and the Audit Committee continue to monitor their delivery.**

#### **EXTERNAL AUDIT RECOMMENDATIONS**

- 7. The external auditor makes 7 formal statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014:
  - a) That the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025-26 budget and future medium-term financial strategy and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge, or the Council fails to achieve all of its currently planned savings.
  - b) That the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
  - c) That the Council should balance its schools' budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028.
  - d) That the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.
  - e) That the Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions underpinning the 2025-26 budget and may require immediate action to prevent further depletion of reserves during 2025-26.
  - f) That the Council urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making.
  - g) That the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.
- 8. The External Auditor has recognised that the Council has already been taking steps to implement these recommendations. They do however consider it appropriate to highlight the actions the Council should take through the above recommendations to ensure



appropriate transparency and emphasis around the actions the Council is taking in response, with the Council having already progressed this work through updates presented in previous Audit Committees, with both an FMP and GRIP update taken to the last meeting on 24 July 2025.

9. In doing so, the External Auditor also highlights where the Council is in the current democratic cycle, with Council elections taking place in May 2026, and the fact the Council will need to take firm action to address the recommendations above prior to and following the next election cycle.

## **THE COUNCILS RESPONSE/PROGRESS ON THE RECOMMENDATIONS**

10. The Council welcomes the recommendations contained in the report particularly as they recognise and emphasise the actions the Council has already progressed (before the report was issued) to address these concerns. As stated above, the Section 24 Report reiterates the previous recommendations in the External Auditor's report, dated 18 March 2025, emphasising the crucial nature of the work that the Council currently has underway in implementing those recommendations.
11. The Council began both the FMP and GRIP work prior to the issuing of the *draft* Section 24 notice to officers, with Cabinet first approving a recommendation for a financial review in Cabinet in February 2025. Since this date, progress has been made against the FMP and GRIP work, with updates included in the Council's finance report to Cabinet as well as updates to the Audit Committee, with both meetings taking place in July.
12. Council fully accepts the crucial nature of the work underway and welcomes the emphasis in the Section 24 report in recommending that the improvement work must continue at pace with the GRIP and the FMP and in addressing issues with the implementation of Oracle EPM.
13. Therefore, Council will continue to address the recommendations contained in the report through the urgent implementation of the key programmes highlighted above and will monitor progress via updates to the Audit Committee who will, in turn, ensure Member oversight of the progress.

## **FINANCIAL IMPLICATIONS**

14. The Council has already been engaged on the FMP since the last quarter of 2024/25 and had engaged with Grant Thornton to take this work forward. The implications of a Section 24 Statement is the implementation of improvements to correct the position. This will lead to increases in Audit Fees over this period, which will need agreement of the Public Sector Audit Appointments (PSAA), for additional work checking that improvements have been implemented.

## **LEGAL IMPLICATIONS**

15. The Local Audit and Accountability Act 2014 requires that the Council must consider the recommendations in the Value for Money Update at a meeting held in public, before the end of the period of one month beginning with the day on which their report was sent to the Council, unless the local auditor is satisfied that it is reasonable to allow more time for the relevant authority to comply with this requirement.

16. Officers requested extension of the period to hold this meeting in the week commencing 8 September 2025 in order to avoid the August summer holiday period and increase the probability of Members being able to attend. Ernst & Young have confirmed that they are satisfied that this request is reasonable.
17. At that meeting, held in public, the Council must decide whether the recommendations are to be accepted and what, if any, action to take in response to these recommendations.
18. A copy of the report has been sent to the Secretary of State for Housing, Communities and Local Government.

**BACKGROUND PAPERS:**

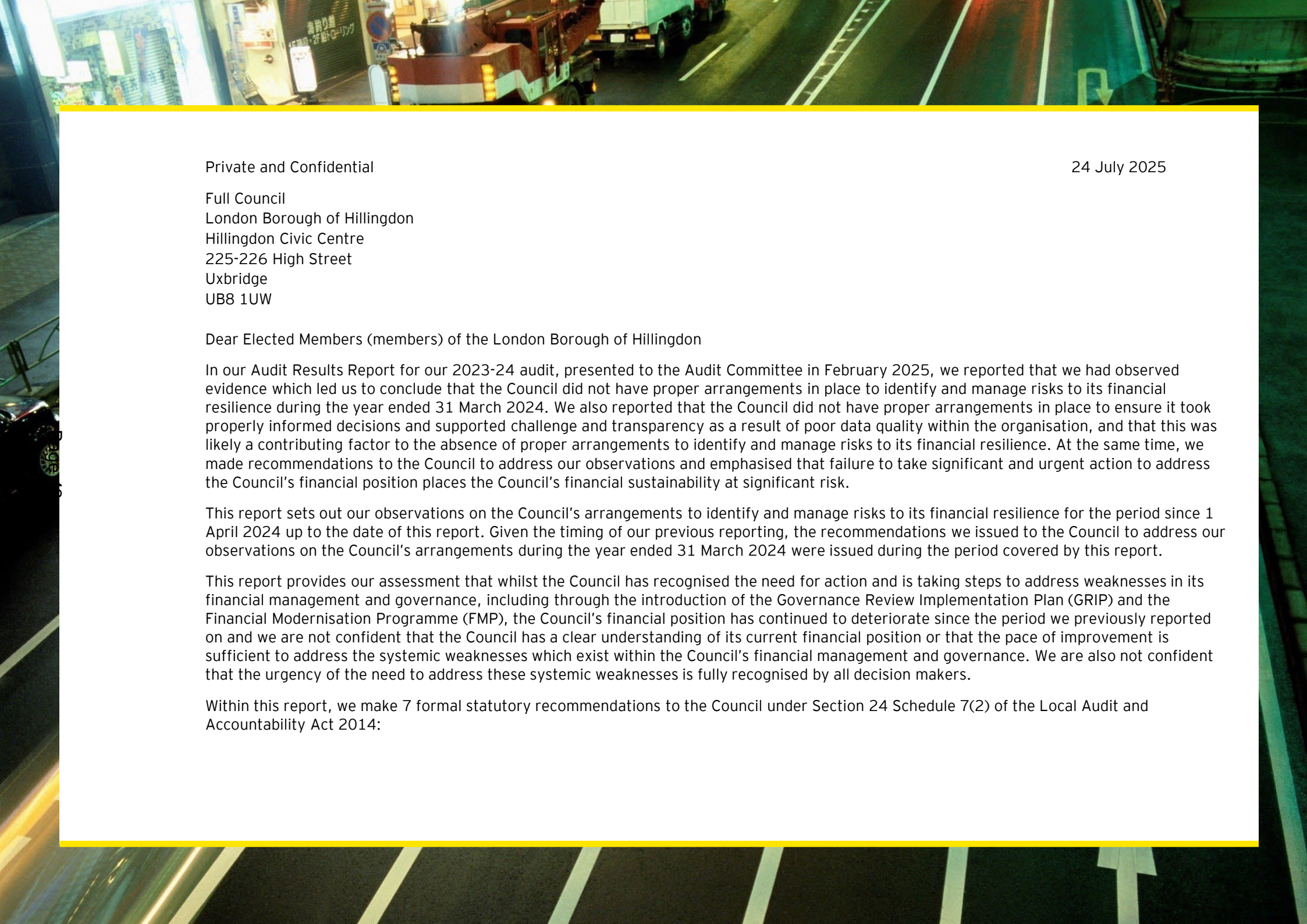
- Appended - Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014
- Financial Modernisation Programme update made to Audit Committee on 24 July 2025
- Governance Review Improvement Plan update made to Audit Committee on 24 July 2025

**London Borough of Hillingdon  
Value for Money Update and  
Issuance of Recommendations  
Under Section 24 Schedule 7(2)  
of the Local Audit and  
Accountability Act 2014**

24 July 2025

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Private and Confidential

24 July 2025

Full Council  
London Borough of Hillingdon  
Hillingdon Civic Centre  
225-226 High Street  
Uxbridge  
UB8 1UW

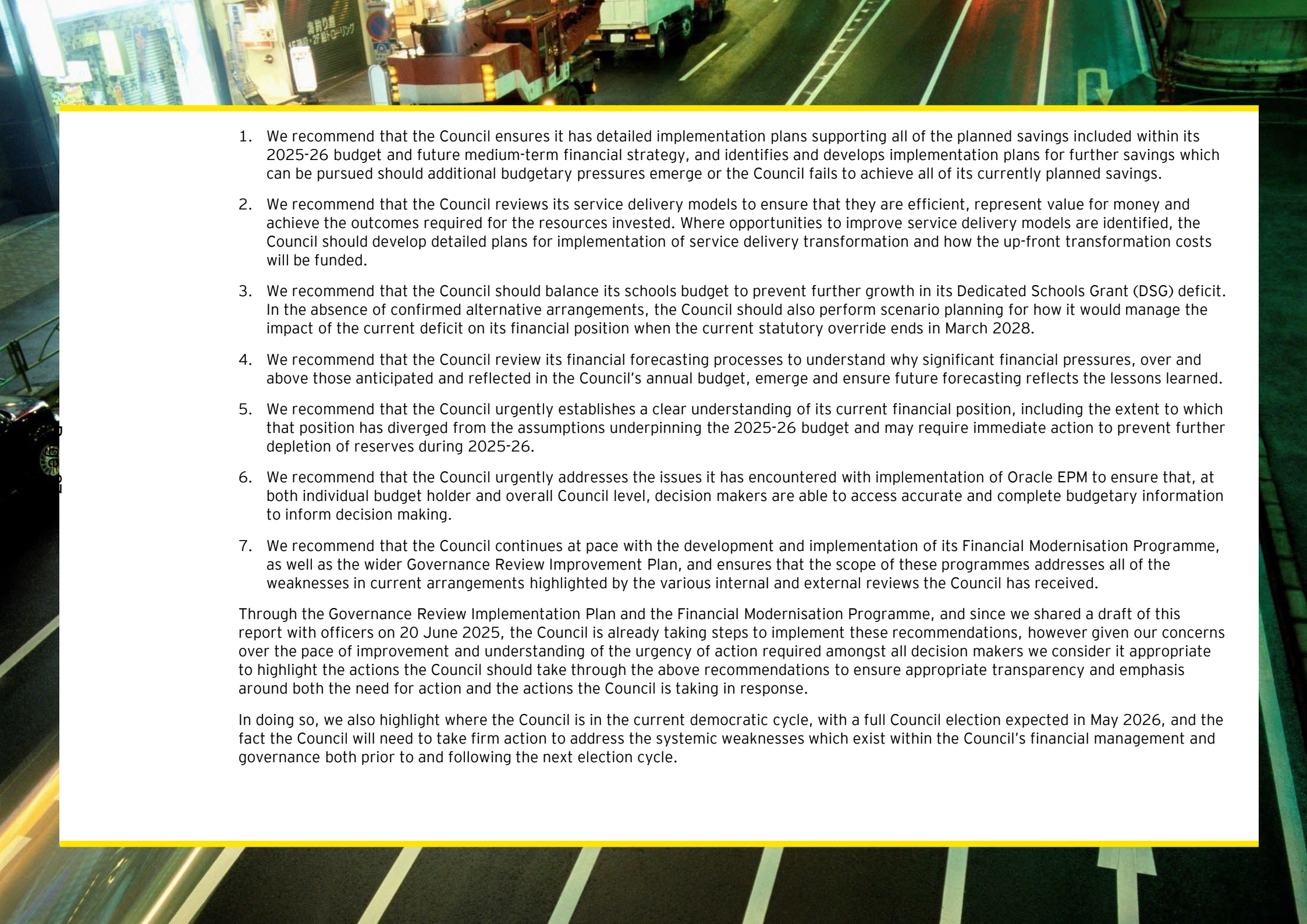
Dear Elected Members (members) of the London Borough of Hillingdon

In our Audit Results Report for our 2023-24 audit, presented to the Audit Committee in February 2025, we reported that we had observed evidence which led us to conclude that the Council did not have proper arrangements in place to identify and manage risks to its financial resilience during the year ended 31 March 2024. We also reported that the Council did not have proper arrangements in place to ensure it took properly informed decisions and supported challenge and transparency as a result of poor data quality within the organisation, and that this was likely a contributing factor to the absence of proper arrangements to identify and manage risks to its financial resilience. At the same time, we made recommendations to the Council to address our observations and emphasised that failure to take significant and urgent action to address the Council's financial position places the Council's financial sustainability at significant risk.

This report sets out our observations on the Council's arrangements to identify and manage risks to its financial resilience for the period since 1 April 2024 up to the date of this report. Given the timing of our previous reporting, the recommendations we issued to the Council to address our observations on the Council's arrangements during the year ended 31 March 2024 were issued during the period covered by this report.

This report provides our assessment that whilst the Council has recognised the need for action and is taking steps to address weaknesses in its financial management and governance, including through the introduction of the Governance Review Implementation Plan (GRIP) and the Financial Modernisation Programme (FMP), the Council's financial position has continued to deteriorate since the period we previously reported on and we are not confident that the Council has a clear understanding of its current financial position or that the pace of improvement is sufficient to address the systemic weaknesses which exist within the Council's financial management and governance. We are also not confident that the urgency of the need to address these systemic weaknesses is fully recognised by all decision makers.

Within this report, we make 7 formal statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014:

- 
1. We recommend that the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025-26 budget and future medium-term financial strategy, and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge or the Council fails to achieve all of its currently planned savings.
  2. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
  3. We recommend that the Council should balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028.
  4. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.
  5. We recommend that the Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions underpinning the 2025-26 budget and may require immediate action to prevent further depletion of reserves during 2025-26.
  6. We recommend that the Council urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making.
  7. We recommend that the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.

Through the Governance Review Implementation Plan and the Financial Modernisation Programme, and since we shared a draft of this report with officers on 20 June 2025, the Council is already taking steps to implement these recommendations, however given our concerns over the pace of improvement and understanding of the urgency of action required amongst all decision makers we consider it appropriate to highlight the actions the Council should take through the above recommendations to ensure appropriate transparency and emphasis around both the need for action and the actions the Council is taking in response.

In doing so, we also highlight where the Council is in the current democratic cycle, with a full Council election expected in May 2026, and the fact the Council will need to take firm action to address the systemic weaknesses which exist within the Council's financial management and governance both prior to and following the next election cycle.



The Local Audit and Accountability Act 2014 requires that the Council must consider these recommendations at a public meeting held before the end of the period of one month beginning with the day on which it was sent to the Council, unless the local auditor is satisfied that it is reasonable to allow more time for the relevant authority to comply with this requirement. Officers have requested extension of the period to hold this meeting to the week commencing 8 September 2025 in order to avoid the August summer holiday period and increase the probability of members being able to attend. We confirm that we are satisfied that this request is reasonable.

At that public meeting, the Council must decide whether the recommendations are to be accepted and what, if any, action to take in response to these recommendations.

A copy of this report has been sent to the Secretary of State for Housing, Communities and Local Government.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Reid', written over a horizontal line.

Stephen Reid

Partner, for and on behalf of Ernst & Young LLP



A close-up photograph of a person's hand reaching into a filing cabinet drawer. The drawer is filled with many hanging folders, mostly in shades of yellow and orange, each containing stacks of papers. Some papers are visible, showing forms and tables. The background is a textured, light-colored surface.

**Our previous observations**



# Value for Money

## The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period, in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

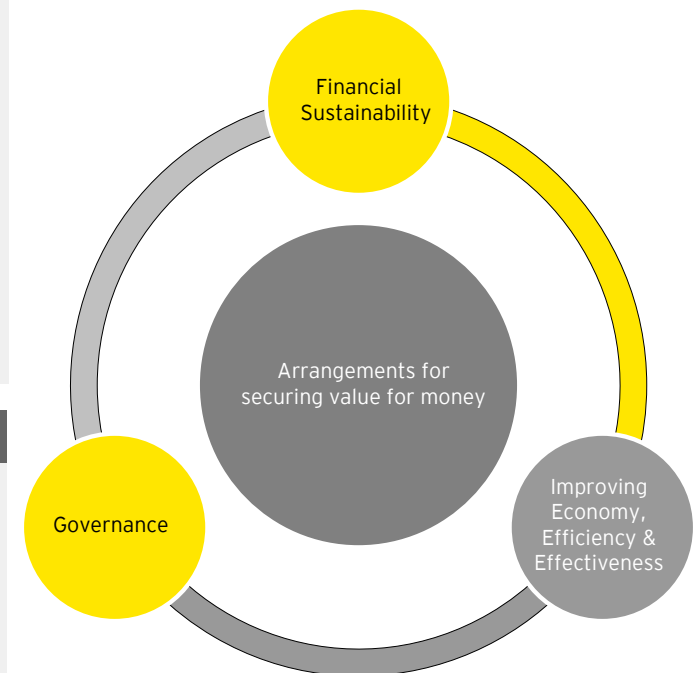
- ▶ **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Our observations

In our Audit Results Report for our 2023-24 audit presented to the Audit Committee in February 2025, we reported that we had observed evidence which led us to conclude that the Council did not have proper arrangements in place to identify and manage risks to its financial resilience during the year ended 31 March 2024. We also reported that the Council did not have proper arrangements in place to ensure it took properly informed decisions and supported challenge and transparency as a result of poor data quality within the organisation, and that this was likely a contributing factor to the absence of proper arrangements to identify and manage risks to its financial resilience.

We concluded that these matters constituted significant weaknesses in the Council's arrangements to secure value for money, and made recommendations to the Council to address these weaknesses.

We recognise that the Council has had limited time to respond to these recommendations, therefore our reporting in this report focuses on our further observations on the Council's arrangements since 31 March 2024.





# Arrangements since April 2024





# Value for Money

## The Council's Financial Performance During the Year Ended 31 March 2025

### *The Council's Budget for the Year Ended 31 March 2025*

The Council's budget for 2024-25 was approved at the meeting of full Council held on 22 February 2024, and included net expenditure on services to be funded through Council Tax, Non-Domestic Rates and government grants of £284.4 million. The Council's gross expenditure is significantly higher than this, and includes spending in relation to schools and the Housing Revenue Account for which there are separate budgets, however the net expenditure on services is the key budgetary total against which the Council measures its financial performance.

In producing a balanced budget for 2024-25, the Council included savings totalling £15.8 million which would require delivery during the year. Subsequent to this, the Council identified £5.7 million of savings which were planned for delivery in 2023-24 but would require delivery during 2024-25 instead bringing the total level of savings required to be delivered during 2024-25 to £22.5 million.

Given that the Council is required to have its budget for the following financial year in place before the commencement of the period to which it relates, the Council's budget for 2024-25 was prepared prior to conclusion of the year ended 31 March 2024 and required the Council to make assumptions about the level of reserves it would carry into 2024-25. The Council's final reserves balance at 31 March 2024 was £35.2 million, £2.2m lower than assumed in setting its 2024-25 budget and only £3.2 million above the £32.0 million minimum level determined by the Council's Section 151 Officer. The Council also reported a cumulative deficit on its Dedicated Schools Grant (DSG) at 31 March 2024 of £47.5 million, which we highlighted in our value for money commentary for the year ended 31 March 2024 exceeded the Council's level of reserves and posed a significant risk to the Council's financial viability.

***Note:** The Council reports and monitors its level of reserves in reference to what it terms its 'available usable reserves', which consist of its General Fund and earmarked reserves not already committed and represent the reserves available to the Council to meet unplanned budgetary pressures. Throughout this report where we refer to the Council's level of reserves we are referring to this measure unless otherwise stated.*

### *Identification of Risks and Pressures*

By the end of May 2024, the Council had identified a number of significant financial risks and pressures including increased demand for homelessness and adult social care services over-and-above levels assumed in setting its 2024-25 budget which it had quantified at £26.8 million. The emergence of significant financial pressures early in the financial year was also noted in 2023-24, and the recurring nature of this observation is indicative that the Council has not accurately captured the scale of the increasing demand for its services or the cost pressures it faces.

In response to the pressures emerging early in the financial year, the Council launched a Council-wide zero-based budgeting exercise to scrutinise and challenge the assumptions underpinning its budget and future financial forecasts. The Council also brought in external budgeting and financial management support to assist with this exercise.

The zero-based budgeting exercised performed by the Council consisted of a root-and-branch review of all of the Council's significant budgets, and took several months to complete. During this time, the Council's financial forecasts and assessment of its likely outturn against budget for 2024-25 were subject to significant fluctuations and the Council opted not to provide formal updated outturn assessments for June or July 2024. The Council was also forecasting the in-year deficit on its schools budget to be £16.1 million, a significant reduction on the £25.6 million deficit in the prior year but still a significant increase to the cumulative deficit.



# Value for Money

## The Council's Financial Performance During the Year Ended 31 March 2025 (continued)

By August 2024, the Council had concluded the zero-based budgeting exercise and established that the financial risks and pressures arising from demographic growth, service demand pressures and challenges in delivery of some of the planned savings were more significant than previously identified. The total forecast deficit against budget for the year was quantified at £44.3 million and prompted the Council to take a number of measures to seek to mitigate this impact, including:

- Identifying a number of 'strategic management actions' which required further development but were expected to deliver of £11.9 million of additional savings, including through containing inflationary uplifts within Health and Social Care to a level below the budgeted uplift, additional income from the West London Waste Authority and interventions to manage demand for homelessness services.
- The introduction of senior officer star chambers, the focus of which were to build upon the zero-based budgeting exercise and identify urgent actions which could be taken to recover the in-year financial position. Star chamber sessions were held for each service area within the Council, as well cross-service thematic sessions also taking place. As of August 2024, these sessions had identified £15.9 million of savings, but were an ongoing exercise.
- A review of the Council's balance sheet for options to realise existing assets, which was expected to generate a further £10.0 million of savings.

Not all of the above plans had been fully developed by the Council, but even if fully delivered there remained a forecast overspend of £6.5 million for which mitigating actions had not yet been identified by the Council. As a result, the Council assessed that there was a possibility that reserves would drop below the minimum recommended level of £32.0 million before the end of 2024-25.

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## The Basis for the 2025-26 Budget

During the remainder of the year, the Council continued to invest significant time and effort in identifying further measures to respond to its financial pressures including ongoing use of senior officer star chambers. By December 2024, the Council had managed to implement a number of actions it had identified as of August, as well as a number of additional actions subsequently identified. In addition, it planned for an additional assumed £11.0 million of revenue expenditure capable of being funded through the capital budget identification of which remained in progress. Even with these measures, the Council was still forecasting a significant overspend for the year of £10.1 million.

This forecast overspend position, as well as the impact it would have upon the Council's reserves as at 31 March 2025, was reflected in the preparation of the Council's budget for 2025-26 which assumed reserves at 31 March 2025 would be £24.5 million, £7.5 million below the recommended minimum level. This fact was acknowledged by the Council's Section 151 Officer in their Section 25 Statement accompanying the Council's 2025-26 budget, which noted that *"Reserves are adequate, given the pressures the Council faces but this is a marginal call judgement. To be clear this is very different to concluding that the reserves are ample, but rather that reserves are only just enough. Reserves are very low and must be rebuilt"*.

## Final 2024-25 Outturn

By February 2025, the Council had assessed the deficit for the year as increasing, and reserves at 31 March 2025 of decreasing, by a further £5.6 million against the assumptions underpinning its 2025-26 budget. A significant contributor to the forecast deficit for the year has been the non-achievement of savings, with £9.4 million of planned savings being written-out as either unachievable or superceded by the rebasing of service operating budgets through the zero-based budgets exercise and £2.7 million identified as having 'significant problems in delivery'.





# Value for Money

## The Council's Financial Performance During the Year Ended 31 March 2025 (continued)

The Council would ordinarily report on its outturn against budget for the previous financial year at its June Cabinet meeting. Reporting on the Council's outturn against budget for the 2024-25 financial year was delayed from the June Cabinet meeting to the July Cabinet meeting due to difficulties the Council has encountered in confirming its final outturn for 2024-25. Publication of the Council's 2024-25 outturn report occurred on 22 July 2025, two days before the July Cabinet meeting, and highlighted the reported position as draft due to ongoing review of debtor, creditor and provision balances at 31 March 2025.

The 2024-25 outturn report showed significant further deterioration in the Council's financial performance for 2024-25 from that assessed in February 2025. The final outturn reported by the Council was a deficit of £31.5 million, consisting of a £17.4 million overspend against the planned budget for 2024-25 and £14.1 million of one-off impacts arising from a balance sheet review performed as part of the Council's Financial Modernisation Programme. As a result, the Council's reserves at 31 March 2025 were just £6.7 million. This level of reserves is £25.3 million below the minimum level determined by the Council's Section 151 Officer for 2024-25, and £17.8 million below the level of reserves assumed to exist at 31 March 2025 in setting the Council's 2025-26 budget. The 2024-25 outturn report highlighted the assessment that *"these reserves are deemed to be inadequate by the Section 151 Officer"*.

The Council's 2024-25 outturn report also showed that its cumulative DSG deficit increased to £65.6 million at 31 March 2025. This balance is almost ten times the remaining reserves of the Council, and is likely to continue to increase as the Council does not have plans to balance its schools budget until 2027-28. The statutory override currently in place allowing the Council to treat its DSG deficit as an unusable reserve was recently extended from March 2026 to March 2028, and the Council is wholly reliant on that being further extended or an alternative central funding mechanism being established by central government.

The continued deterioration in the Council's financial standing is of significant concern. The Council is rapidly consuming its already depleted reserves, and the rate at which those reserves are being consumed is accelerating not slowing. Given these factors, we are unable to conclude that the Council has had proper arrangements in place to manage its financial position during 2024-25 and conclude that the absence of such arrangements represents a significant weakness in the Council's arrangements to secure value for money.

We are sufficiently concerned by this that we consider it appropriate to escalate the recommendations we made to the Council as part of our 2023-24 value for money commentary to statutory recommendations. Accordingly, we make the following recommendations as recommendations under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

- 1. We recommend that the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025-26 budget and future medium-term financial strategy, and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge or the Council fails to achieve all of its currently planned savings.***
- 2. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.***
- 3. We recommend that the Council should balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028.***
- 4. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.***



# Value for Money

## The Council's 2025-26 budget

### Required Savings

In setting a balanced budget for 2025-26, the Council opted to increase Council Tax by the maximum amount permitted without holding a local referendum but still identified the need for £34.0 million of savings to be delivered during 2025-26. As a result of further savings of £4.8 million originally planned for delivery in 2024-25 but carried-forward for delivery in 2025-26 following conclusion of 2024-25, the total level of savings the Council is required to deliver during 2025-26 is £38.4 million. This represents a significant increase on the £22.5 million required during 2024-25, and against which the Council has reported achieving just £7.1 million - though the Council has also delivered additional in-year savings not included within the original £22.5 million planned savings for 2024-25.

The level of savings required during 2025-26 are highly significant in comparison to the available reserves of the Council. The required savings of £38.4 million represent more than five times the reserves of the Council at the start of the 2025-26 financial year. This means that non-achievement of savings during 2025-26 poses a serious threat to the financial viability of the Council, and the Council has insufficient reserves to absorb any significant non-achievement of planned savings.

### Reliability of the 2025-26 Budget

The Council itself has identified that there are significant doubts over the reliability of the budget it has set for 2025-26, including the sufficiency of required savings. These concerns were highlighted within the budget report itself, which stated *"The Council has two significant weaknesses reported on by the External Auditor EY that have been reported to the Audit Committee on 11th February. These areas are financial sustainability and quality of the Council's information. This information quality has remained and been a significant issue in building the budget for 2025-26"*.

Concerns over the reliability of the Council's 2025-26 budget were further highlighted by the Council's Section 151 Officer in their Section 25 Statement accompanying the Council's 2025-26 budget, which concluded that *"The estimates are not sufficiently robust for the purposes of the budget calculations, given the scale of delivery needed, and the issues and uncertainties set out above [within the Section 25 Statement]"*.

The emergence of £5.6 million of additional financial pressures by the end of period 11 in 2024-25, beyond those considered in setting the 2025-26 budget and of which a significant proportion are expected to continue into 2025-26, also concerned the Council's management. In March 2025, members of the Council's Corporate Management Team performed a review of their financial forecasts for 2025-26 which informed a revised 'P0' forecast which was presented to the Council's Corporate Management Team in early April 2025.

This P0 forecast indicated a significant deterioration in outlook for 2025-26 from that assumed in setting the Council's 2025-26 budget, including consumption of the majority of the Council's remaining reserves by 31 March 2026 (at the time of the 'P0' report, reserves at 31 March 2025 were still expected to be significantly higher than those subsequently reported). There were however significant reservations amongst the Council's Corporate Management Team over the reliability of this forecast, with senior officers describing it as 'unreliable' and 'not evidence based'. The Council's Chief Executive held one-to-one meetings with senior officers to review 2025-26 budgets on a line-by-line basis, however the Council was not able to finalise a forecast it did consider reliable until the P2 (May 2025) budget monitoring report presented to the Council's Cabinet in July 2025 alongside the 2024-25 outturn report.



# Value for Money

## The Council's 2025-26 budget

The revised assessment set out in the P2 forecast anticipates further overspends of £16.4 million against the Council's approved budget for 2025-26. The forecast overspend of £16.4 million is also after the full use of £10.5 million of contingency included in the 2025-26 budget, £5.0 million of anticipated interventions and assuming savings of £33.2 million (out of the £38.8 million originally planned) can still be delivered, and therefore is likely to increase further based on the Council's experience in previous financial years. As highlighted in the Council's 2024-25 outturn report, the reserves balance at 31 March 2025 of £6.7 million is also provisional and dependent upon resolution of ongoing reviews of the Council's debtors, creditors and provisions not having any further adverse impact.

The forecast overspend for 2025-26 of £16.4 million, even without further pressures emerging, is more than double the level of reserves held by the Council at 31 March 2025, and forecasts that the Council will completely consume its remaining reserves during the course of 2025-26. The financial position of the Council is now critical and it is our view that the Council is not compliant with its legal obligation to set a balanced budget. In such circumstances the Council's Section 151 Officer is required to consider whether to make a report under Section 114 (3) of the Local Government Finance Act 1988 (a 'Section 114 Notice') which requires that:

*"The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure"*

Within the P2 budget monitoring report the Council's Section 151 Officer has set out their assessment that a Section 114 notice is not currently required:

*"Whilst it is recognised that the Council legally has to set a balanced budget and it is the duty of the Section 151 Officer to consider if a Section 114 notice is required, the Council is reporting that it has begun conversations with the Ministry for Housing, Communities & Local Government (MHCLG) for Exceptional Financial Support (EFS) and therefore it is the view of the Section 151 Officer that a Section 114 notice is not issued at this time"*

Given the ongoing work to finalise the Council's 2024-25 outturn and level of reserves at 31 March 2025, as well as the emergence of significant additional cost pressures at multiple points since the Council set its budget for 2024-25 in February 2024, it is not clear to us that the Council has a good understanding of its financial position or its trajectory for 2025-26. Unreliable forecasts increase the risk that the measures being taken to manage the Council's financial position will be insufficient, with the likely result that the Council will not appropriately identify and mitigate all of the financial pressures it faces. This is of significant concern, therefore we make the following recommendation to the Council under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

5. ***We recommend that the Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions underpinning its 2025-26 budget and may require immediate action to prevent further depletion of reserves during 2025-26.***



# Value for Money

## The Oracle Upgrade

### New System Implementation

At the commencement of 2024-25, the Council operated the majority of its main IT systems under the on-site Oracle R12 Enterprise Resource Planning (ERP) platform. The Council planned to transition to the Oracle Fusion cloud-based platform from the start of 2025-26, however implementation of the new system was delayed by a month until 1 May 2024 to ensure the Council was fully prepared for the transition. Alongside changing to a cloud-based platform, the Council planned to adopt the Oracle Enterprise Performance Management (EPM) suite of tools as the basis for its budgeting, forecasting and performance monitoring. Implementation of Oracle EPM occurred slightly later than the main system upgrade, taking place during June 2024.

The Council has encountered significant challenges with its implementation of the Oracle upgrade. Officers have described these challenges as focused on the implementation of Oracle EPM, with the core financial accounting element of Oracle Fusion going more smoothly, however we note that the Council was not able to commence the inspection period for its draft 2024/25 Statement of Accounts by the statutory deadline of 1 July 2025 and has cited difficulties encountered in closing its ledger under the Oracle Fusion platform as a contributing factor.

The root causes of these challenges have not been fully assessed, as the Council has had to invest significant resources into understanding and resolving issues impacting on the day-to-day execution of Council functions, however reports submitted to Cabinet have stated that *"The Oracle system implementation was not sufficiently resourced and was seen as a finance project rather than fundamental change to the whole Council's operating system. Oversight was poor and siloed"*.

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### The Impact on the Council

A review of budget monitoring across the Council performed by internal audit after the Oracle system upgrade identified a number of significant issues arising from the use of Oracle EPM which are having a significant impact on the Council's financial management. These include inaccurate user lists within EPM meaning budget holders are incorrectly identified, and hence correct budget holders are not able to access their budget information and individuals who should not have access do so, frequent issues with the completeness and accuracy of budget information provided to budget holders and licensing issues impacting the completeness of information available to users. Internal audit also noted more broadly that *"financial governance was also significantly impacted during the year due to issues with the implementation of the Oracle finance system"*.

As a result of these issues, senior officers and finance staff have reported that significant levels of manual intervention are being required from finance staff to support budget holders with understanding and managing the budgets for which they are responsible. This is placing significant pressure on the Council's finance team, and there is a pervasive lack of confidence across the organisation amongst budget holders in their ability to manage budgets without direct support.

Officers have reported significant volatility in month-on-month forecasts during 2024-25, which is highly likely to be a function of a combination of the high-levels of manual intervention required - which also increases the risk of errors or inconsistency in treatment arising - and a lack of understanding amongst budget holders stemming from poor quality data.

The Council has also expressed a desire, as part of its wider efforts to improve financial governance, to move more of the responsibility for budgetary management away from the finance team and into service lines. The significant reliance currently being placed on the finance team to 'work around' issues with Oracle EPM is prohibitive to the Council making this change, and therefore a significant barrier to one of the key measures the Council considers necessary to address its deteriorating financial position.



# Value for Money

## The Oracle Upgrade (continued)

These issues are key sources of the lack of confidence the Council has in its financial forecasts as described earlier in this report. The Council is unlikely to be able to build a proper understanding of its financial position and the sufficiency of measures it is taking to protect its reserves until it is able to reliably obtain accurate and complete financial information from its systems and consistently provide this information to decision makers.

Accordingly, we make the following recommendation to the Council under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

6. *We recommend that the Council urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making.*

## Impact on Wider Governance and Internal Controls

### Overriding Focus on Finance and Breakdown in Internal Control

Officers have reported that the significance of the deterioration in the Council's financial position, and the resulting significant focus on the identification and realisation of measures to protect the Council's reserves, has consumed significant bandwidth across the organisation during 2024-25 and had a detrimental impact on the delivery of normal functions. In particular, senior officers have reported that the focus has become short-term in nature and they have had not had the capacity to undertake the more strategic-level planning the Council needs to address its financial challenges over the medium-to-long term.

The impact of the challenges the Council has faced with Oracle EPM and the significant focus of senior officers on management of the immediate financial position has been consistently highlighted by the Council's internal auditor throughout 2024-25 as having a significant impact upon the Council's internal control environment. Whilst recognising that "2024/25 was a particularly difficult year for the Council due to significant demand pressures in key areas such as adult social care, children and young people services and homelessness, with limited funding and capacity within the services", the Council's internal auditor noted "a significant increase in the number of Limited and No assurance reviews and include some key areas of governance, for example Asset Management, Contract Management Oversight and Budget Monitoring".

The cumulative impact of internal audit's observations during the year was that the Head of Internal Audit was not able to offer any assurance over the Council's internal control, risk management and governance arrangements in place during 2024-25. In explaining this, they noted "The increased focus on cost saving proposals was essential given the financial challenges facing the Council. However, this also led to increased uncertainty around forward planning, weakened oversight controls due to limited capacity at a senior level, and significantly reduced focus on core areas of governance" and "Common themes arising from the Internal Audit findings raised in 2024/25 include poor data quality and poor oversight controls, often due to limited capacity at a senior management level due to the increased focus on Council-wide transformation. At an operational level governance arrangements were often sporadic and related to specific areas rather than a consistent, overarching reporting framework".

In our view, the inability of the Council's internal auditor to offer any assurance over the internal control environment during 2024-25 is exceptional and something the Council should take very seriously. It is indicative that urgent action is required to address pervasive weaknesses in the Council's arrangements which go beyond the management of its financial position, and have the potential to impact upon all areas of the Council's governance arrangements and operations.





## Impact on Wider Governance and Internal Controls (continued)

### Turnover in Finance Personnel

The Council's permanent Section 151 Officer left the Council in August 2024 and the Council appointed an interim Section 151 Officer in September 2024. This interim appointment ended in April 2025, with the Council's Deputy Section 151 Officer assuming the role of Section 151 Officer on a temporary basis. On 9 July 2025, the Appointments Committee approved the appointment of a new permanent Section 151 Officer who will take up post after completing their notice period with their current employer. When the new Section 151 Officer commences their role, the Council will have had four Section 151 Officers within a period of little more than 12 months. The Council's Director of Pensions, Treasury and Statutory Accounts also left the Council in September 2024, with a replacement appointed in April 2025.

For any organisation, significant levels of turnover amongst senior finance staff poses a risk of weakening financial management and governance as well as a loss of momentum on key projects and programmes. For the Council, these risks are heightened by the strained nature of the Council's financial position, the urgency of required action and the culture within the Council which places more emphasis on the finance function than in many comparable authorities.

### The Council's Response

The Council has recognised that it needs to improve. The Council has an extensive internal audit programme, and senior officers do not shy away from directing internal audit reviews towards areas where the Council knows there are weaknesses in its internal controls. In addition, the Council commissioned two external reviews into its financial management and governance during the final quarter of 2024-25 to help it understand the areas where its performance needs to improve.

The commitment to understanding the nature and scale of weaknesses in its arrangements, particularly in relation to financial management and governance, is an encouraging first step by the Council towards being able to address them, however the findings and conclusions of the external reviews it commissioned demonstrate the severity and pervasiveness of the weaknesses which currently exist within the Council's arrangements.

The first external review commissioned by the Council was a 'five pillars' review of the Council's financial management performed by Grant Thornton. This review assessed the Council's arrangements against the five criteria of 'financial governance', 'financial infrastructure', 'financial planning', 'financial delivery' and 'financial culture'. The review concluded that 'significant strengthening [is] required' in each of the five areas, and stressed the need for urgent action by the Council.

The second external review commissioned by the Council was an initial turnaround diagnostic performed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This review concluded that:

*"The Council has good services, low taxation and charging policies and members are committed to their local area, but affordability to maintain this position and the current operating model is untenable. The Council has some ongoing improvement activity and has brought in temporary support to address the budget challenges in particular. However, it is evident that the culture and working practices and Oracle system issues around financial management are currently inadequate and the council's and some budget holders understanding of the position the council finds itself is of real concern. Morale within the finance team is low, and service managers do not 'fully own' their budgets.*

*Financial management remains weak and does not currently meet the standards specified in the FM code. We found that the monitoring of revenue spend in 2024-25 isn't timely, is cumbersome and unreliable. Budgets do not align with responsibilities and the potential savings for 2025-26 do not offset the anticipated growth pressures or are underdeveloped. Senior finance staff have been heavily involved in addressing gaps and issues as they arise and other finance staff have been drawn into basic operational tasks which reflect continued capacity issues. As a consequence, there has been insufficient communication and drive in addressing the underlying wider issues, including governance, needed to build stronger financial management.*



# Value for Money

## Impact on Wider Governance and Internal Controls (continued)

*The Council has some fundamental weaknesses in its people, processes and systems. The Finance team has experienced considerable turnover and there is a high reliance on interims and vacancies in key posts. As a result, there is limited knowledge of the Council within the team, low morale, indications of a blame culture and poor communications. All those we interviewed demonstrated a commitment to the Council. Despite the improvement plan actions taken to date, however, the underlying issues are daunting and there is clear need to have a sharper focus and make progress in some fundamental areas."*

Having now developed a detailed understanding of the weaknesses which exist within its arrangements, the Council is seeking to address them through the development of a Financial Modernisation Programme and has commissioned Grant Thornton to provide support and external expertise. The Financial Modernisation Programme, which commenced in April 2025, is the first of three 'strands' to the Council's wider Governance Review Improvement Plan (GRIP) which seeks to ensure the Council is adhering to good practice in governance beyond financial governance. The other 'strands' to the Governance Review Improvement Plan focus on officer decision making and a catch-all for the Council's other governance (including its Constitution, member decision making and legal governance).

The Council intends for the Governance Review Improvement Plan to be 'a review phase, whereby the Council takes stock of recommendations provided by an independent review, or auditor' which will then be followed for each 'strand' by a Governance Recommendations Improvement Plan which will be 'an implementation phase, where the Council will set out its plan of action and detail for implementing the GRIP recommendations'. The Council has arranged a special Audit Committee meeting for 24 July 2025 to present its Financial Modernisation Programme and Governance Review Improvement Plan to members, with planned actions due for completion between 31 July 2025 and 31 March 2026.

Both the Financial Modernisation Programme and wider Governance Review Improvement Plan are in the early phases of implementation, and it remains to be seen whether they will deliver the improvements in internal controls and governance which are urgently required. The Council needs to act quickly to begin to address the weaknesses in its arrangements which have been identified, however embedding the cultural changes necessary are also likely to take time and sustained focus from the Council. These are critical actions necessary to restore good governance to the Council, therefore we make the following recommendation to the Council under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

- 7. We recommend that the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.***

## Ability to support the 2024-25 external audit

The difficulties the Council has encountered in finalising its outturn for 2024-25 have also caused delay to the production of the Council's Draft Statement of Accounts for the year ended 31 March 2025, and the Council did not meet the statutory deadline for commencement of the public inspection period of 1 July 2025. The Council expects to be in position to commence the public inspection period in early August 2025, however risks remain to the achievement of this.

This delay in production of the Council's Draft Statement of Accounts, and associated demands on the Council's finance team over an extended period, are indicative that the quality of data and finance team capacity challenges encountered during the delivery of our audit for the year ended 31 March 2024 may reoccur and impact upon our ability to conclude our audit of the Council's financial statements for the year ended 31 March 2025 ahead of the statutory 'backstop' date of 27 February 2026.

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## EXTERNAL AUDIT UPDATE DRAFT 2024/25 ACCOUNTS AND PROVISIONAL AUDIT PLANNING REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Pete Carpenter, Director Pensions, Treasury & Statutory Accounts
<b>Papers with report</b>	2023/24 Auditors Annual Report 2024/25 Draft Statement of Accounts (to follow) 2024/25 Provisional Audit Planning Report
<b>Ward</b>	All

### HEADLINES

This report gives the final 2023/24 Audit Report as well as updating on the latest position regarding the progress of the 2024/25 Statement of Accounts along with the Provisional Audit Planning Report Year ended 31 March 2025.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Note the latest update from the Government in relation to moving away from “disclaimer” audit opinions;**
- 2. Note the Final Auditors Annual Report 2023/24;**
- 3. Note the latest position regarding the 2024/25 Draft Statement of Accounts; and**
- 4. Note the draft plan for the Audit of the 2024/25 Accounts.**

### SUPPORTING INFORMATION

The Ministry of Housing, Communities and Local Government has announced measures to tackle the backlog of local government audits and have proposed backstop dates for the publication of audited accounts. These are set out in the following table:

2024/25: 27 February 2026  
2025/26: 31 January 2027  
2026/27: 30 November 2027  
2027/28: 30 November 2028

The backstop legislation has resulted in significant numbers of Councils receiving “Disclaimer Opinions” due to time constraints and number of audits required to be delivered to comply with the legislation resulting in Auditors collectively not having the time to complete Audits and therefore issue “Disclaimer Opinions”.

The National Audit Office (NAO) issued updated guidance to Auditors on 05 June 2025 in relation

to special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions.

The NAO guidance [Local Audit Reset and Recovery Implementation Guidance \(LARRIG\) 06](#) is predicated on the assumption that local authorities can present a complete set of financial statements to the auditor in accordance with the applicable financial reporting framework. It notes that the timely delivery of audited financial statements is a collective enterprise where both preparers and auditors have important responsibilities. Effective governance and internal controls, allied to accurate and timely financial reporting, are essential conditions to support a return to the timely delivery of audited financial statements where the auditor can reach opinions based on sufficient appropriate audit evidence. A failure on the part of management to present financial statements that represents a true and fair view of the local authority's financial statements may have implications for the overall audit opinion on those statements.

A total of 216 disclaimed audit opinions have been issued by auditors to local government bodies because of the “final” backstop date for the 2023-24 financial year. This is 47.1% of all local government Audits in England.

## Final 2023/24 Auditors Annual Report

In May, the Committee received the final Audit Results report for 2023/24 for the Council. This report updated data supplied in the February Committee. This is now the final Audits result report and reflects the data provided in May in that:

- This is a “disclaimed opinion” as in 2022/23.
- Due to the backstop and other limitations not all the auditing processes could be completed.
- There was no reason to use Auditor powers **at that time**. Further context is given on page 2 of the External Auditors Annual Report.
- In the Value for Money section there are weaknesses highlighted in regards Financial Sustainability and Quality of Council Information. There are 7 recommendations:
  - We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves in the context of the forecast levels of funding.
  - We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
  - We recommend that the Council seeks to balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2026.
  - We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.
  - We recommend that the Council perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses

such data, the maturity of its data quality processes and any limitations in the data it uses;

- We recommend that having completed the data quality assessments, the Council should develop actions plans to address any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary;
- We recommend that the Council review the capacity and skill mix within the Council's finance team to ensure that the Council is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Council's financial performance by stakeholders.

Implementation of these recommendations is being monitored through the GRIP (Governance Review Implementation Plan) which is reported to this Committee.

### **Draft 2024/25 Accounts**

The Council will publish its draft 2024/25 Statement of Accounts in August. These will be circulated to the Committee. Draft accounts should have been published by 30 June 2025 and as such a delay notice was published in the intervening period. The 30-day Public Inspection period will begin once the Accounts have been published and is expected to finish at the end of September 2025.

### **The 2024/25 Audit Process**

The 2024/25 Provisional Audit Planning Report has been provided by Ernst & Young. This report aims to provide the Audit Committee with a basis to review the proposed audit approach and scope for the 2024/25 audit. The report summarises Ernst & Young's evaluation of the key issues driving the development of an effective audit.

There are two new risks that will be assessed as part of the Audit:

- The first is the implementation of the new finance system (Oracle Fusion) which the external auditors link to a risk to the truth and fairness of the financial statements;
- The second is the Governance Risk linked to the Capacity of the Finance Team which the external auditors classify as a value for money risk.

New guidance was received by auditors in June on how to conduct audits where there have been disclaimer opinions. This has been referenced in the supporting information section.

### **The 2024/25 Pension Fund Audit Process**

The draft 2024/25 Pension Fund Accounts were produced by 30 June 2025 and these are now being audited as per the draft plan that was presented to this Committee on 14 May 2025.

## **FINANCIAL IMPLICATIONS**

Audit Fees for Councils are set nationally by Public Sector Audit Appointments (PSAA). The fee scale for 2024/25 is confirmed as a 9.5% increase on the 2023/24 scale fees to cover the additional audit work required under revised standards and a contractual inflationary increase payable to audit firms for 2024/25. The new audit work relates to revised auditing standard ISA

(UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The fee values for 2024/25 are £433,673 for the Council audit and £92,572 for the Pension Fund.

EY have advised that there would be scale fee variations in respect of the 2023/24 audit of £104,319. This will need ratification by PSAA.

For the 2024/25 Audit there will also be an additional charge for the audit of the migration of data from the old Oracle R12 system to Oracle Fusion. The estimated fee impact of the additional work around Oracle is £68.4k for the Council. A significant contributor to this impact is the way the migration occurred in stages rather than all-at-once, as it created multiple points at which the external auditors need to test that the migration occurred correctly.

## **LEGAL IMPLICATIONS**

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments (PSAA) on a transitional basis under powers contained in the Local Audit and Accountability Act 2014.

## **BACKGROUND PAPERS**

NIL.

## **APPENDICES**

2023/24 Auditors Annual Report

The Draft 2024/25 Statement of Accounts (to follow)

Hillingdon Provisional Audit Planning Report Year ended 31 March 2025



# London Borough of Hillingdon Auditor's Annual Report

Year ended 31 March 2024

16 June 2025

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16 June 2025

London Borough of Hillingdon  
Hillingdon Civic Centre  
225-226 High St  
Uxbridge UB8 1UW

Dear Audit Committee Members,  
2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for London Borough of Hillingdon. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for the audit year 2023/24. This report also explains the work we have undertaken during the year in relation to the Hillingdon Pension Fund.

This report is intended to draw to the attention of the Council and Pension Fund any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the next Audit Committee meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Reid', with a horizontal line underneath.

Stephen Reid  
Partner  
For and on behalf of Ernst & Young LLP  
Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of London Borough of Hillingdon and Hillingdon Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Committee and management of London Borough of Hillingdon and Hillingdon Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit Committee and management of London Borough of Hillingdon and Hillingdon Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





BOARDROOM



# 01 Executive Summary



# Executive Summary

## Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 suspended the requirement to issue an Auditor's Annual Report by 30 November. It states that auditors may exercise judgement to determine when to issue their Annual Report including their commentary on arrangements to secure value for money.

## Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plans for the Council and Pension Fund that we issued on 12 March 2024 and 18 April 2024, respectively. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- conclusions relation to going concern; and
- the consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- if the Annual Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- any significant matters or written recommendations that are in the public interest; and
- if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

## Responsibilities of the Council

The Council is responsible for preparing and publishing financial statements for the Council and Pension Fund, the narrative statement and Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# Executive Summary

## 2023/24 Conclusions

Financial statements (Council)	<p>Disclaimed - Due to the disclaimer of opinion on the prior year, delays in receiving draft financial statements and associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.</p> <p>We therefore issued a disclaimed 2023/24 audit opinion on 27 March 2025.</p>
Financial statements (Pension Fund)	<p>Unqualified - we issued an unqualified audit opinion on the Pension Fund financial statements for the year ended 31 March 2024 on 17 March 2025.</p>
Going concern (Council)	<p>As a result of the disclaimer of opinion issued for the year ended 31 March 2024, we did not conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements.</p>
Going concern (Pension Fund)	<p>We have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</p>
Consistency of the other information published with the financial statements (Council)	<p>Other information is information contained within the Statement of Accounts other than the financial statements, including the Narrative Report and Annual Governance Statement. As a result of the disclaimer of opinion issued for the year ended 31 March 2024, we did not conclude on the consistency of the other information with the financial statements.</p>
Consistency of the Pension Fund Annual Report and other information published with the financial statements (Pension Fund)	<p>Financial information in the Pension Fund Annual Report and published with the financial statements was consistent with the audited financial statements.</p>
Consistency of the Annual Governance Statement	<p>As a result of the disclaimer of opinion issued for the year ended 31 March 2024, we did not conclude on the consistency of the Annual Governance Statement with our understanding of the Council.</p>

# Executive Summary

## 2023/24 Conclusions

Value for money	We reported by exception weaknesses in the Council's arrangements to secure value for money in its use of resources in relation to financial sustainability and the quality of the Council's information. We have included our value for money commentary in Section 03.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our Audit Certificate once we have received confirmation from the National Audit Office that no further procedures will be required in relation to the Council's Whole of Government Accounts submission.



# Executive Summary

## Value for Money

## Scope

Auditors are required to be satisfied that the London Borough of Hillingdon has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of London Borough of Hillingdon Committee reports;
- meetings with Council officers, including the Corporate Director of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.



# Executive Summary

## Value for Money

## Reporting

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's arrangements.

Section 03 contains our value money commentary, which summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria throughout 2023/24. Our commentary also includes the detailed arrangements and processes underpinning the reporting criteria and the associated recommendations we have agreed with the Council. Our commentary is presented as reported in our 2023/24 Audit Results Report.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	<ul style="list-style-type: none"><li>Financial sustainability</li></ul>	<ul style="list-style-type: none"><li>Financial sustainability</li></ul>
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	<ul style="list-style-type: none"><li>Quality of Council information</li></ul>	<ul style="list-style-type: none"><li>Quality of Council information</li></ul>
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



# Executive Summary

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)





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## 02 Audit of the financial statements

# Audit of the financial statements

## Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 27 March 2025, we issued a disclaimed audit opinion on the financial statements. Due to the disclaimer of opinion on the prior year, delays in receiving draft financial statements and associated audit evidence and the limited time between the backstop dates meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.

We reported our audit scope, risks identified and detailed findings to the 11 February 2025 Audit Committee meeting in our Audit Results Report. We issued an updated version of our Audit Results Report to management prior to concluding our audit on 27 March 2025. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The findings for each of the account areas are set out in the Audit Results Report in Appendix A. We reported 7 areas for improvement in the control environment and internal control recommendations in the Audit Results Report.

Significant risk	Conclusion
Misstatements due to fraud or error (Council)	We have not been able to complete our specific procedures to address this risk nor were we able to complete all of our audit procedures over the financial statements and are therefore unable to conclude on whether the financial statements are materially misstated as a result of fraud or error.
Inappropriate capitalisation of revenue expenditure (Council)	We were able to complete some of our planned procedures and have not identified any inappropriate capitalisation of revenue expenditure. We were however not able to complete all of our planned procedures, therefore we are not able to conclude whether material incorrect capitalisation of revenue expenditure has occurred.
Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method (Council)	We were not able to complete all of our planned procedures nor do we have opening balances assurance in relation to assets not revalued in 2023/24, therefore we were not able to conclude whether land and buildings are free of material misstatement.



# Audit of the financial statements

Inherent risk	Conclusion
Derecognition of infrastructure assets upon subsequent expenditure/ replacement (Council)	We were not able to complete all of our planned procedures therefore we are not able to conclude whether infrastructure assets as a whole are free of material misstatement.
Pension liability and the IAS 19 valuations (Council)	We were not able to complete all of our planned procedures therefore we are not able to conclude whether pension balances as a whole are free of material misstatement.
Valuation of council dwellings (Council)	We were not able to complete all of our planned procedures therefore we are not able to conclude whether the valuation of Council dwellings as a whole are free of material misstatement.
IFRS 16 (Council)	The Council is not as progressed in its readiness for the implementation of IFRS 16 as we would have expected at this stage. The Council's financial statements disclose that the Council does not expect the new standard to have a material impact upon its financial statements when adopted in 2024/25, however the greatest risk lies in the completeness of balances to be recognised.

# Audit of the financial statements

Significant risk	Conclusion
Misstatements due to fraud or error (Pension Fund)	<p>We identified an audit difference regarding the recording of investment income (an understatement of investment income of £3.4 million) as a result of one distribution being reinvested by the LCIV MAC fund not identified by the custodian. This matter was corrected in the final statements and we are satisfied this was a result of error and was not an indication of management override or fraud.</p> <p>We have not identified any material weaknesses in the recording of accounting entries. We have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.</p>
Valuation of complex investments (including level 3 investments) (Pension Fund)	<p>We identified audit differences in the valuation of Level 3 investment assets. In total, these audit differences understated the Pension Fund's investment asset value by 4.1 million. These differences were identified based on more up-to-date valuation reports from the investment fund managers that were not available to the Pension Fund at the time of preparation of the draft financial statements. This matter has been corrected in the final statements.</p> <p>Overall, we are satisfied that the valuations of complex investments are free from material misstatement.</p>
Classification of level 2 and level 3 investments (Pension Fund)	<p>We identified a misstatement around the fair value classification of one investment of £19.2 million. This investment (in Blackstone) was a new investment made during the year and management were already aware that this investment should be classified as Level 3. Nevertheless, it was erroneously classified as Level 2 in the first version of the statement of accounts. Therefore, we consider that this misstatement was not due to a lack of judgment but rather a lack of due diligence in the preparation of the accounts. This matter has been corrected in the final statements.</p> <p>Overall, we are satisfied that the classification of level 2 and level 3 investments are free from material misstatement.</p>
IAS 26 - Actuarial present value of promised retirement benefits (Pension Fund)	<p>We identified some discrepancies between the disclosures and the actuary's report. These differences have been corrected in the final statements.</p> <p>Overall, we are satisfied that disclosures relating to IAS 26 and the actuarial present value of promised retirement benefits are free from material misstatement.</p>



## 03 Value for Money Commentary



# Value for Money Commentary

## Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

*How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them*

The Council identifies all the significant financial pressures that are relevant to its medium-term plans through its Medium Term Financial Forecast ('MTFF'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward-looking period of five years. This forecast is revisited and extended on an annual basis. Additional MTFFs may be produced mid-year if necessary, however this was not required during 2023/24. This forecast enables emerging risks and issues to be reflected in the Council's financial planning in a timely manner.

The budget setting cycle represents a continuous programme of activity across the financial year. Monthly budget monitoring reports are used to identify and address short term financial pressures. This is the process of comparing actual and forecast expenditure and income throughout the financial year, both through budget monitoring and at the point of committing expenditure. It involves identifying variances, pressures and risks while taking prompt action to prevent budget pressures or to bring pressures that have arisen back under control. Budget managers carry out monitoring of the actual positions while being aware of wider factors that may impact upon the budget position. These monthly reports are reviewed by Cabinet, enabling corrective action to be taken in response to emerging pressures.

The Council has recognised that growing demand for council services is increasingly stretching its resources and during 2023/24 began to implement an externally supported zero-based budgeting exercise across the Council. As part of this exercise senior managers, along with budget managers, are reviewing their services in detail to create alternative and improved options for operational delivery. This exercise was ongoing as of the end of 2023/24, with the detailed outputs expected to form the basis for the MTFF for the period 2025/26 to 2029/30 to be prepared during 2024/25.


The Council monitors the financial performance of its schools budget separately from the rest of its budget as associated funding is externally ringfenced. The Council reported a deficit of £25.6 million against its schools budget for 2023/24, driven by rising demand for and costs of high needs placements, significantly exceeding the planned deficit of £2.3 million and the cumulative deficit on the Council's Dedicated Schools Grant (DSG) increased to £47.5 million at 31 March 2024. A statutory override is currently in place allowing the Council to treat its DSG deficit as an unusable reserve, however this is currently due to end in March 2026 and the Council's current financial plans assume the deficit will increase further by that date. The Council's DSG deficit exceeds the available reserves of the Council and, without additional external support, poses a significant risk to the Council's financial viability. The issue of DSG deficits is a challenge across the sector and the Council submitted an updated DSG Management Plan to the Department for Education (DfE) in December 2023 as part of the DfE's Safety Valve programme.

*How the body plans to bridge its funding gaps and identifies achievable savings*

The Council seeks to achieve balanced budgets through delivering efficiency savings, increases in Council Tax and increases to the fees it charges the users of Council services. The Council seeks to identify deliverable savings through a combination of measures, including:

- ▶ Redesign of the end-to-end delivery of business processes, including greater use of digital channels for customer interactions, greater automation within back-office functions and the implementation of more efficient ways of working;
- ▶ The modernisation and reshaping of service delivery models, including greater use of integrated service hubs and greater efficiency in the delivery of services;





# Value for Money Commentary

- ▶ The streamlining and refocussing of Council management structures and the associated staffing structures through Business Improvement District ('BID') reviews; and
- ▶ Maximising the use of Council assets, including sale of surplus assets, strategic review of the capital programme and regular reviews of the Council's financing requirements.

The Council's budget for 2023/24 incorporated £22.8 million of assumed savings, including £1.6 million of savings deferred from 2022/23. The Council has reported that £17 million (75%) of these savings were achieved, £0.9 million (4%) are considered to be on-track for delivery, £0.7 million (3%) to be behind schedule but still achievable and £4.2 million (18%) to be either unachievable or facing potential problems in delivery.

The Council's MTFF for the period 2024/25 to 2028/29 includes identified savings of £33.4 million, of which £15.8 million are to be delivered during 2024/25, and a remaining budget gap which will need to be met through further savings or reductions in services of £53 million (including planned contributions of £7.5 million towards rebuilding reserves). Whilst it is not uncommon for budget gaps beyond a 12-24 month horizon to be addressed in future budgets, the scale of the gap to be closed by the Council is significant with planned savings and the unbridged gap in aggregate equating to 5.6% of planned expenditure over the MTFF period. It will require concerted effort by officers and elected members to ensure that the Council remains financially resilient over the medium term.

## *How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities*

The Council's constitution lays out its core strategic priorities. The full Council considers at its annual meeting whether any additional plans or strategies, both statutory or non-statutory, should be adopted or approved. The Council's plans and strategies then make up the Council's budgetary and policy framework.

The Council's budget setting process is service-led, underpinned by assessments of the forecast level of demand for services and the level of investment required flowing from the monthly budget monitoring process into future budget plans. Bi-annual budget setting reports and regular budget monitoring reports are presented to Cabinet to provide updates on the Council's financial position. This approach covers the full range of activity within the Council's budget, with particular focus being placed on areas such as social care placements, waste disposal costs and support for homeless households where budgets are realigned to meet demand prior to the consideration of the potential to generate savings in these areas.

## *How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system*

The MTFF and budget setting processes are designed to draw upon and integrate with other plans and strategies, including:

- ▶ The Corporate Transformation / Business Improvement District ('BID') Teams work closely with service departments and the dedicated Transformation (Finance) Business Partner within the Corporate Finance Team to ensure that service design and transformation activity is effectively captured in budgets;
- ▶ There is an annual process of budget approval by all Tier 3 managers in the organisation (i.e. Deputy Directors and Heads of Service reporting to Corporate Directors) to ensure that the output from the MTFF process is aligned to local service requirements;

# Value for Money Commentary

- ▶ The staffing budgets reflect the HR-owned master establishment list to ensure that workforce plans and budgets are wholly aligned. This is included within the annual budget process and then updated on a monthly basis through the post-level budget monitoring process included in the Council's budget management system;
- ▶ Capital & investment strategies are linked into the MTFF and budgets with the MTFF fully reflecting the future debt servicing and repayment costs associated with proposed capital programmes; and
- ▶ Where appropriate, joint strategies such as the Better Care Fund Section 75 Agreement are fully aligned to the MTFF to ensure that Council financial plans are aligned to any externally agreed funding or service delivery plans.

*How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans*

The Council identifies risks to financial resilience through its budget monitoring and MTFF processes, as well as through engagement with external stakeholders such as the Society of London Treasurers, the Deputy Treasurers Group and the Association of Directors of Adult Services, where regular discussion, information sharing and benchmarking is used to supplement the Council's own local intelligence.


The identified financial risks, along with the Council's broader operational risks, are summarised in a corporate risk register which is updated on a continuous basis and discussed at Council meetings. Towards the end of 2023/24, the Council began a redesign of the Council's strategic risk reporting to better align the risks from the corporate risk register against the Council's 2022-2026 strategy. This reporting came into use in 2024/25.

Financial risks identified through risk management processes are regularly reviewed against the Council's earmarked reserves and General Fund balance, with appropriate modifications made to the recommended minimum reserves balances where appropriate. Specific earmarked reserves are used to manage the most significant financial risks.

The Council had a net operating budget of £268 million for 2023/24 and reported outturn against this budget with only a £2,000 variance, however this was after two significant one-off adjustments equal to 6.2% of the Council's budget to mitigate the impact of higher than forecast demand for services and inflationary pressures:

1. The release of £9.4 million to reserves as a result of a review of the historical overprovision of Minimum Revenue Provision (MRP). Note that for the reasons set out elsewhere in our Audit Completion Report, we have not reviewed the appropriateness of this MRP adjustment; and
2. The release of £7.2 million more than was budgeted from earmarked reserves, resulting in lower earmarked reserves at 31 March 2024 than had been budgeted for.

Due to the above one-off adjustments, the Council's General Fund balance at 31 March 2024 of £26.8 million was as planned in the Council's MTFF for the period 2023/24 to 2027/28, however available earmarked reserves have reduced from a planned £15.5 million to £8.3 million at 31 March 2024 (note not all earmarked reserves presented within the financial statements are considered by management to be 'available' to meet spending pressures).



# Value for Money Commentary


The Council has seen a steady decline in its available reserves over the past few years, with a 25% reduction in the sum of the General Fund and available earmarked reserves between 31 March 2023 and 31 March 2024. Comparison against its peers using the CIPFA Financial Resilience Index demonstrates that the Council has lower borrowing and finance costs but is otherwise significantly less financially resilient than the majority of its peers. As noted earlier in this commentary, the Council's DSG deficit also now exceeds the available reserves of the Council.

Significant drivers of the utilisation of the Council's reserves include increased demand for services and inflationary pressures. As of P6 in 2024/25, the Council is forecasting an overspend against its 2024/25 budget of £41.9 million prior to mitigating actions which is equal to 15% of the total net budget for 2024/25 (further commentary on management's mitigating actions will be provided as part of the commentary on arrangements for 2024/25). The emergence of significant overspends during the first half of the year is indicative that the Council has not accurately captured the scale of the increasing demand for its services or the cost pressures it faces in setting its 2024/25 MTFF during 2023/24.

Both elected members and officers of the Council are proud that the Council is perceived as offering high quality universal services, however this comes at a cost to the Council. Council Tax levels set by the Council are, on the other hand, amongst the lowest in the Council's peer group with the Council having the second lowest Council Tax rates amongst Outer London boroughs at just 84% of the average Council Tax rate for such authorities. This combination of higher than average expenditure on services and lower than average Council Tax receipts poses a challenge the Council will need to manage over the short to medium term.

Given the ongoing deterioration in the Council's financial position, indications that the Council has not fully grasped the scale of the demand and inflationary pressures it faces - and therefore is likely to continue to overspend against forecasts and further erode its reserves - and the absence of detailed plans to return the Council's schools budget to break-even, let alone begin to recover the significant DSG deficit, we are unable to conclude that the Council has had proper arrangements in place to manage its financial position during 2023/24 and conclude that the absence of such arrangements represents a significant weakness in the Council's arrangements to secure value for money. We make the following recommendations to the Council to address this significant weaknesses in the Council's arrangements, and note that failure to take significant and urgent action to address the Council's financial position places the Council's financial sustainability at significant risk:

1. We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves in the context of the forecast levels of funding.
2. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
3. We recommend that the Council seeks to balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2026.
4. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.



# Value for Money Commentary

## Governance: how the body ensures that it makes informed decisions and properly manages its risks

*How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud*

The Cabinet is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Corporate Director of Finance is responsible for preparing the risk management policy statement, for promoting it throughout the Council and for advising the Cabinet on proper insurance cover where appropriate. He is also responsible for advising on effective systems of internal control.

It is the responsibility of chief officers to establish sound arrangements for planning, appraising, authorising and controlling their operations. Chief officers are responsible for identifying and controlling hazards and the containment of losses. They notify the Corporate Director of Finance of any new risks or changes which affect insurable risks and they update the Directorate Risk Registers on a quarterly basis. The most significant risks are escalated and summarised in the Corporate Risk Register.


A Corporate Risk Management Group, chaired by the Corporate Director of Finance, reviews the Corporate Risk Register on a quarterly basis and advises the Cabinet and Corporate Management Team on the most significant risks. The Corporate Risk Register is also presented to the Audit Committee on a quarterly basis. Where applicable, financial impacts of corporate risks are incorporated into the MTFF exercise. The Audit Committee monitors and reviews the Council's risk management arrangements, including regularly reviewing the Corporate Risk Register (giving reference to the underpinning Directorate Risk Registers) and seeking assurances that action is being taken on strategic risk related issues.

The Council maintains an internal audit function as required by the Accounts and Audit Regulations 2015. The annual internal audit plan takes into account the strategic risks identified by the Council. Chief officers are required to give proper consideration to internal audit recommendations and to respond accordingly.

The Corporate Director of Finance oversees the development and maintenance of a prevent and detect anti-fraud and anti-corruption policy, with a duty on all Council employees to report any actual or suspected financial irregularity or loss. Notifications are primarily made through line managers, however matters may alternatively be raised with officers listed in the Council's whistleblowing policy or with internal audit. In line with the Council's constitution, all losses must be reported to the Head of Internal Audit.

The Council has a Counter Fraud Team that undertakes activities to detect and resolve external fraud against the Council. In their 2023/24 Annual Report, the Council's Counter Fraud Team reported having delivered £11.2 million of savings for the year, including £6.1 million in relation to housing fraud which has been assessed as the Council's most significant fraud risk. The Council's Counter Fraud Team were awarded the 'Outstanding Fraud Prevention, Detection and Recovery and Grand Prix' award at the Public Finance Awards 2023.





# Value for Money Commentary

*How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services*

The Council seeks to appoint statutory officers who have the skills, resources and support necessary to ensure compliance with the Council's statutory and regulatory requirements.

The Council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration. After consulting with the Head of Paid Service and Corporate Director of Finance, the Monitoring Officer reports to full Council or to the Cabinet if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report has the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council's Standards Committee is established by full Council and is responsible for promoting and maintaining high standards of conduct amongst elected members. In particular, it is responsible for advising the Council on the adoption and revision of the Member Code of Conduct, which applies to both councillors and officers.

Clear guidance is in place for members and officers regarding the acceptance of gifts and hospitality detailed in the Gifts and Hospitality Policy, Golden Rules for Employees and the Council's Constitution. Conflicts of interest can potentially arise in a variety of situations and the Council adopts a rule of thumb of "if in doubt declare it". Examples of situations where a conflict can arise are set out in the Council's Constitution, including guidance around financial and non-financial interests, family members and personal relationships, other employment, personal opinions and social media behaviour, relationships with colleagues and obligations towards the Council's residents, as well as looking after and using Council's assets and resources.


The Member Register of Interests records the pecuniary and non-pecuniary interests of members and co-opted members of the Council. There is a separate Related Parties Register that all members and a selection of senior officers are required to complete each year declaring the relationship and allowing the Council to assess the nature of any transactions which the Council has entered into with related parties. Related party transactions are disclosed in the Council's Statement of Accounts, which are approved by the Audit Committee on an annual basis.

How the body approaches and carries out its annual budget setting process

The Corporate Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet, before submission to full Council. It is the responsibility of chief officers to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

Following a robust challenge process involving both chief officers and members, as well as a statutory budget consultation process with business ratepayers and residents in the borough, the Council may decide to adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or substitute with its own proposals. Any decision is made on the basis of a simple majority of votes cast at a Council meeting. Once the decision has been taken by the Council, it will be publicised and implemented.

The Council's budgets include the General Fund, the Housing Revenue Account and the capital budgets. Detailed approval limits and roles, as well as conflict resolution guidelines on adoption of plans or strategies are set out within the Council's constitution.



# Value for Money Commentary

*How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships*

Chief officers control income and expenditure within their area and they monitor performance on a monthly basis, taking account of financial information provided by the Corporate Director of Finance, as well as non-financial information, where appropriate. They report on variances within their own areas and they take any action necessary to avoid exceeding their budget allocation and alert the Corporate Director of Finance to any problems. Budget manager engagement is actively tracked against a four-day deadline for monitoring returns each month.


As part of the monthly budget monitoring process, the financial position of each department is reviewed in detail by the Corporate Director of Finance with dedicated monthly meetings with each Corporate Director to ensure that issues and actions emerging from the monitoring process are dealt with and reflected in the MTFF, as appropriate. The outputs from this process are presented to Cabinet on a monthly basis, alongside informal briefings to the Cabinet Member for Finance and other portfolio members, as appropriate.

The general format of the budget is approved by full Council and proposed by the Cabinet on the advice of the Corporate Director of Finance. The draft budget includes an allocation to different services and projects, proposed taxation levels and contingency and reserve funds, in order to comply with statutory requirements.

The Audit Committee reviews and monitors the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risks and/or weakens the control environment. This includes their review and approval of the statutory annual statement of accounts. Specifically, they consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council. In addition, the Audit Committee considers the external auditor's report to those charged with governance on issues arising from the external audit of the financial statements.

The Accounts and Audit Regulations 2015 require that local authorities undertake a period of public inspection of the Council's draft financial statements. The statutory deadline by which this period of inspection was required to have commenced for the year ended 31 March 2024 was 1 June 2024. The Council did not meet this deadline, instead commencing its inspection period on 1 July 2024.

In addition, the Accounts and Audit Regulations 2015 require that prior to the commencement of the inspection period local authorities must publish the Annual Governance Statement and the Narrative Statement alongside the draft financial statements. The Council did not comply with this requirement as no Annual Governance Statement was published by the Council. Due to this fact, the inspection period run by the Council did not meet the requirements of the Accounts and Audit Regulations 2015 and the Council is required to re-run the inspection period. As a result, the Council will not be able to publish its final Statement of Accounts for 2023-24 by the statutory deadline of 28 February 2025 set out within the Accounts and Audit (Amendment) Regulations 2024. We have made a control recommendation to the Council to ensure it fully understands and has processes in place to ensure compliance with the Accounts and Audit Regulations 2015 as part of our audit observations on the Council's internal control environment.



# Value for Money Commentary

*How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee*

The Council issues and keeps up to date a record of what part of the Council or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions. The Council's Constitution sets out the key roles and responsibilities for decision making, as well as the procedures that are followed to ensure that the decisions taken are efficient, transparent and accountable to local people. The Constitution is reviewed at full Council meetings as required and also more comprehensively on an annual basis at each Annual General Meeting, as required.

Part 2 of the Council's Constitution sets out the 'Cabinet Scheme of Delegations'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet Members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Directors' responsibilities.

Part 3 of the Constitution sets out the 'Scheme of Delegations to Officers'. This governs the responsibilities allocated to officers to perform the authority's activities and details what decisions may be taken by officers without member approval. Further specific delegations may be granted by Council committees during public meetings.


The Council is committed to the seven Nolan Principles of Public Life and these are detailed in the Constitution. All Council and committee meetings are held in public (the public are excluded only in limited circumstances of consideration of confidential or exempt information), with agenda and reports being produced and published on the Council's website. Key Council meetings are broadcast live on YouTube including full Council, Cabinet, Planning Committees, Licensing Sub Committee and Petition Hearings (subject to public interest).

The Audit Committee's role is to review, monitor and challenge the Council's internal and external audits, governance, risk management and the associated control environment.

As reported in our Audit Completion Report for the 2022/23 audit, the Council opted to delay publication of its draft financial statements for 2022/23 until the audit of the Council's 2021/22 financial statements was completed on 28 September 2023. Due to the timing of completion of the 2021/22 audit and delayed publication of the draft 2022/23 financial statements, we assessed that we did not have the audit resources necessary to perform the 2022/23 audit before the anticipated backstop date and advised the Council to focus its attention on its preparations to support the external audit of its 2023/24 financial statements.

As noted earlier in this commentary, the Council did not meet the statutory deadline to commence the inspection period of its draft 2023/24 financial statements by 1 June 2024 and commenced the inspection period on 1 July 2024.

Audit fieldwork to support the opinion on the Council's 2023/24 financial statements took place between July 2024 and December 2024. Despite the audit resources deployed during this period being in-line with the requirements of the size and complexity of the Council, we were able to complete less than half of our planned audit procedures and are therefore unable to form an overall opinion on the Council's 2023/24 financial statements. A significant driver of the inability to complete our audit work was the quality of working papers and other information produced by the Council. This includes information received from the Council's finance team and information received from other teams within the Council relevant to the production of its financial statements, though the finance team should provide a level of quality assurance over such information where it relates to the financial statements. The capacity and knowledge within the Council's finance team, which has seen the departure of several experienced individuals, was also a contributing factor. In our view, the Council did not have proper arrangements in place to support the timely production and audit of its 2023/24 financial statements.



# Value for Money Commentary


The overall opinion of the Council's Head of Internal Audit for 2023/24 was only able to offer 'Limited' assurance that the system of internal control in place for the year ended 31st March 2024 accorded with proper practice. The Council's commitment to engaging with internal audit to continuously improve, rather than focusing on traditional compliance-based audits, as well as the impact of significant transformation work ongoing across the Council were noted as contributing to the increase in the number of limited assurance internal audit reports, however in summarising the basis for this conclusion the Head of Internal Audit also noted that "poor data quality, reliance on manual records and reliance on outdated systems that are no longer fit for purpose also impacted on the quality of documentation and performance data available". In our view, this is indicative that the challenges encountered in the delivery of the Council's external audit extend beyond the production and audit of the financial statements and are likely to be undermining the reliability of information used across the Council, including where used in the monitoring of Council performance and to inform decision making.

The observations of the Council's internal auditor indicate that the inability of the Council to produce its draft financial statements by the statutory deadline or support the external audit of those statements is a symptom of more fundamental weaknesses in the way the Council records, processes and reports on the information it holds. Such weaknesses increase the risk that the Council is unable to make properly informed decisions, or makes incorrect decisions based on poor quality information, and is not able to support effective scrutiny of its financial and non-financial performance by reporting timely, accurate and meaningful data. We also note that poor data quality may be a contributing factor as to why the Council has ongoing difficulty in accurately predicting demand for its services, as noted earlier in this commentary.

Given these observations, we are unable to conclude that the Council had proper arrangements in place to ensure that it makes informed decisions and properly manages its risks and conclude that the absence of such arrangements represents a significant weakness in the Council's arrangements to secure value for money. We make the following recommendations to the Council to address this significant weaknesses in the Council's arrangements:

5. We recommend that the Council perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses such data, the maturity of its data quality processes and any limitations in the data it uses;
6. We recommend that having completed the data quality assessments, the Council should develop actions plans to address any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary;
7. We recommend that the Council review the capacity and skill mix within the Council's finance team to ensure that the Council is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Council's financial performance by stakeholders.





# Value for Money Commentary

## **Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services**

*How financial and performance information has been used to assess performance to identify areas for improvement*

The Council's Performance Management Framework is a Council-wide framework requiring all service areas and teams to set annual service delivery plans and targets, identify delivery risks and report performance against Council priorities. Management's objectives are that key aspects of performance are monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team.

In addition, the monthly budget monitoring process, as described in the previous sections of this commentary, is the main tool used by the Council to assess its financial performance against set targets and to identify areas for savings and efficiencies. The Council's aspires for its budget monitoring processes to be aligned to key performance data, including in relation to workforce, demand-led activities and income from fees and charges, however recognises that further improvement in this area is required.

*How the body evaluates the services it provides to assess performance and identify areas for improvement*


The effectiveness of the Council's interventions and the quality of its services is monitored through the preparation of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted for decision-makers to ensure that where corrective action may be required this is communicated.

The Council uses key performance indicators to monitor internally and externally produced services. Regular reporting of performance against key performance indicators is submitted to senior management teams, the corporate management team and members. Where Council services are procured from an external provider, expected performance against key performance indicators forms part of the contracting arrangement and is used to monitor the effectiveness of the services received.

The Hillingdon Improvement Programme ('HIP') is aimed at delivering a range of key improvements to the way the Council works and improving services to the Council's service users. The programme is led by the Leader of the Council, and the Chief Executive is the Programme Director. Cabinet Members and Corporate Directors have responsibility for the delivery of individual HIP projects.

The Council allows for members of the public, employees or organisations which deliver services on behalf of the Council to submit complaints in relation to the services it provides and reviews the nature of complaints received, along with the nature of enquiries from elected members, to identify themes which may indicate areas for improvement. Managers are encouraged to highlight areas of inefficiency or poor performance in their service area for improvement and build this in to future budgets.

The Council's children's services were subject to inspection by Ofsted in October 2023, with the Council receiving an 'outstanding' rating for overall effectiveness with Ofsted noting "Children in the London Borough of Hillingdon continue to receive highly effective services. Very strong political support and diligent partnerships have enabled the senior leadership team to be an excellent champion for children, families and young people. Since the last inspection of local authority children's services (ILACS) in 2018, leaders have continued to strengthen and improve practice, despite the increasing demands on services. An ongoing 'transformation' of services has improved frontline practice with children and families. There are areas of innovation that stand out as exceptional practice, improving children's experiences and progress, such as the enhanced offer to children and families out of hours".



# Value for Money Commentary

*How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives*

The Cabinet is the primary forum through which the Council's engagement with other local public, private and voluntary sector organisations is overseen, and has responsibility for approving frameworks under which partnership working takes place.

The Cabinet has delegated specific authorities to the Cabinet Member for Corporate Services & Transformation to promote effective methods of partnership working in consultation with the appropriate Cabinet Member, if it relates to specific service areas, and to oversee proposed arrangements with public and other bodies for the delivery and funding of partnership initiatives which affect the Council.

The Corporate Director of Finance considers the overall corporate governance arrangements, legal matters (with input from the Monitoring Officer) and other risks when arranging contracts with external partners. Chief officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to partnership arrangements.

The Council works closely with a broad range of stakeholders and partners, co-ordinated through the Community Engagement Team, to ensure that partnerships deliver the expected outcomes. An annual review of the voluntary sector grants programme is reported to Cabinet to support monitoring of the impact of grants and the reallocation of resources, where appropriate.

Contact details for key partners are published on the Council's website along with contact information and details of any complaints procedures operated by partners.

*Where the body commissions or procures services, how it assesses whether it is realising the expected benefits*

The Council's Constitution lays out the framework for procurement and contract standing orders for every contract awarded by or on behalf of the Council in respect of goods, works or services. Compliance with the procurement standard operating procedures is mandatory across all Council departments, together with the application of best practice.

Corporate Directors, Directors, Deputy Directors and Heads of Service are responsible for ensuring that all officers who procure goods, works or services comply with the Constitution and the Procurement Standard Operating Procedures. Only officers who are deemed to be qualified and competent by the Head of Procurement, in conjunction with the appropriate Corporate Director, are allowed to procure goods, works or services. These officers are identified within each Department's individual Scheme of Delegations.

Where external or specialist advice is required, a specific legal budget exists within procurement that is used to mitigate risks in the work the Council undertakes. Procurement is a recurring area of focus for internal audit activity and where recommendations are made, appropriate action is taken.

The Council's overall process for assessing performance, as discussed previously in this commentary, is also applied to the performance monitoring of services delivered by third parties and enables the assessment of the benefits received from partner organisations against the relevant pre-determined key performance indicators.

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# London Borough of Hillingdon Provisional Audit Planning Report

Year ended 31 March 2025

24 July 2025

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Audit Committee  
London Borough of Hillingdon  
Uxbridge  
UB8 1UW

24 July 2025

Dear Audit Committee members

**Provisional Audit Planning Report**

Attached is the Provisional Audit Planning Report for the upcoming meeting of the Audit Committee. This report aims to provide the Audit Committee of the London Borough of Hillingdon (the 'Council') with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. This report summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

As the Council's body charged with governance, the Audit Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. On 24 July 2025, we issued an interim value for money update and made 7 recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. We direct Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be, and should not be used, by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the next meeting of the Audit Committee, as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

Enc



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Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the London Borough of Hillingdon. Our work has been undertaken so that we might state to thee Audit Committee and management of the London Borough of Hillingdon those matters we are required to state to them in this 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 Audit Committee and management of the London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





BOARDROOM

# 01 2024/25 audit strategy overview

# 2024/25 audit strategy overview

## Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include:

- ▶ Insufficient capacity within the local authority financial accounting profession.
- ▶ Increased complexity of reporting requirements within the sector.
- ▶ Insufficient capacity within audit firms with public sector experience.
- ▶ Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

- ▶ **Phase 1: Reset;** clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- ▶ **Phase 2: Recovery from Phase 1;** from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- ▶ **Phase 3: Reform;** involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As detailed in our Final Audit Results issued on 18/03/2025, we planned to issue a disclaimed our audit opinion on the Council's 2023/24 financial statements.

We have obtained assurance over some of the closing balances in 2023/24. However, we do not have assurance over all brought-forward balances in 2024/25. Consequently, we lack assurance over all in-year movements and some closing balances for 2024/25. Although we will continue to work towards rebuilding assurance ahead of the 2024/25 backstop date (subject to guidance), we will not be able to obtain sufficient evidence to have reasonable assurance over all closing balances. We therefore expect to again issue a disclaimer of opinion in 2024/25.





# 2024/25 audit strategy overview

## Rebuild of assurance – current position

The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIG) 05 on 10 September 2024, detailing the principle of returning to a state where auditors can issue audit opinions on local authority financial statements with sufficient audit evidence. This process will take several years to achieve.

Restoring assurance will need local authorities and auditors to work together. We are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods. Until then, we are unable to commence the rebuilding work programme.

We will audit the 2024/25 closing balance sheet and in-year transactions, similar to our approach for 2023/24, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25. Updates on rebuilding assurance for the historical position will be provided as guidance is issued and its implications for the Council are evaluated taking into consideration the outcome of our risk assessment procedures. As the Council's financial statements for 2022/23 and 2023/24 were subject to a disclaimer of opinion, it is highly probable that our risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position will conclude that an elevated risk of material misstatement is associated with the reserve balances, because of the way in which they accumulate over successive years.

## Responsibilities of management and those charged with governance

The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. The Audit Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where these conditions are not met, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
- ▶ Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

# 2024/25 audit strategy overview

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through Inappropriate capitalisation of revenue expenditure or use of capital reserves	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.  We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of land and buildings, including surplus assets	Significant risk	No change in risk or focus	The valuation methods for land and buildings, including surplus assets, involve higher risk estimates due to the significant assumptions and judgements involved, and for which the Council uses external specialists. The estimates heighten the risk of material errors.
Implementation of the new finance system (Oracle Fusion)	Significant risk	New Significant Risk	The Council upgraded its finance system in May 2024. Major changes to the finance system give rise to a risk that financial data is lost or changed during migration. The Council also continued to use the old system for finalisation of its 2023/24 financial statements after the main data migration occurred, and has therefore had to manually replicate all transactions recorded after this date in the new system which increases the risk of omission.  The implementation of the new system has not gone smoothly, therefore there is also an increased risk of misstatements arising from subsequent use of the new system as a result of challenges encountered in the implementation of the new system.

# 2024/25 audit strategy overview

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of council dwellings	Inherent risk	No change in risk or focus	The carrying amount of Council dwellings represents a significant balance in the Council's financial statements and is subject to revaluation changes on an annual basis. Management is required to make material judgmental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet.
Net pension valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to disclose its membership in the Local Government Pension Scheme in its financial statements.</p> <p>Due to the significant estimation and judgement involved, an actuary is engaged for calculations. ISAs (UK) 500 and 540 mandate procedures on using management experts and assumptions for fair value estimates.</p>

In the prior year we reported the following risks which we have not identified as risks for 2024/25:

- ▶ IFRS 16 - The Council is required to implement the new accounting standard for leases, IFRS 16, for 2024/25. IFRS 16 is a complex standard that will require a substantial amount of data gathering followed by a number of policy choice decisions, however the Council has relatively few leases whose treatment will change under the new standard and we do not currently expect the impact upon the financial statements to be material. We will keep this assessment under review as management continue with their implementation of the new standard and the impact upon the financial statements becomes clearer.
- ▶ Infrastructure Assets - The CIPFA Code incorporates a temporary relief for certain reporting on infrastructure assets, which can be applied from the 2021/22 Code up to and including the 2024/25 Code. Accounting for infrastructure assets once this relief ends remains an issue that the Council needs to remain focussed to ensure proper arrangements are in place, however the relief remain in place and no significant changes are anticipated for the 2024/25 financial statements therefore we do not recognise a risk of misstatement for 2024/25.

We will continue to keep the Audit Committee updated on our assessment of any changes to audit risk.



# 2024/25 audit strategy overview

## Materiality

### Planning materiality

£12.6m

Materiality has been set at £12.6m, which represents 1.4% of 2023/24 gross expenditure on provision of services.

We have reduced our materiality level from the 1.8% of gross expenditure on provision of services applied in 2023/24 due to the deterioration in the Council's financial standing and associated expectation of greater interest in the financial statements from stakeholders.

### Performance materiality

£6.3m

Performance materiality has been set at £6.3m, which represents 50% of materiality.

We note that in the 23/24 audit, performance materiality was also set at 50% of planning materiality.

### Audit differences

£0.63m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, movement in unusable reserves statement, cash flow statement, housing revenue account and collection fund) greater than £0.63m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

# 2024/25 audit strategy overview

## Audit scope

This Provisional Audit Planning Report covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- ▶ our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on the value for money arrangements in Section 3.

We also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the required mandatory procedures in accordance with applicable laws and auditing standards.

When planning the audit we consider several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant.

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this Provisional Audit Planning Report and will discuss any impact on the proposed scale fee with management.

We present this Audit Planning Report as provisional as ongoing delays in obtaining general ledger data from the Council, linked to the challenges the Council has experienced with the implementation of its new finance system, is continuing to delay our ability to complete all of our risk assessment procedures. Should completion of our remaining risk assessment procedures lead to the identification of additional risks of misstatement, we will communicate these to the Audit Committee. These delays have also prevented us from performing interim substantive testing ahead of the year-end, therefore all substantive audit procedures will need to be completed during the year-end audit visit increasing workload on both the audit team and the finance team during this period. There is an increased risk that there will be insufficient time to complete the 2024/25 audit within the timeframe audit resource is available.

# 2024/25 audit strategy overview

## Audit scope (Cont.)

### ***Effects of climate-related matters on financial statements***

Public interest in climate change is growing. We recognise that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements and in assessing value-for-money arrangements.

We inquire about climate-related risks during every audit as part of our understanding of the entity and its environment. As we continually re-evaluate our risk assessments throughout the audit, we consider the information obtained to help us assess the level of inherent risk.

### ***Audit scope and approach***

We plan to adopt a substantive audit.

# 2024/25 audit strategy overview

## Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

The value for money planning and related risk assessment aims to collect enough evidence to document our evaluation of the Council's arrangements, allowing us to prepare a commentary based on three reporting criteria. This process includes identifying and reporting any significant weaknesses in those arrangements and making suitable recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This will need to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code of Audit Practice 2024.

On 24 July 2025, we issued an interim value for money update and made 7 recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. This update includes commentary on the Council's arrangements to secure value for money in its use of resources which we intend to include within our final commentary to be included within the Auditor's Annual Report.

## Timeline

An audit timetable has been agreed with management, and reflects a later commencement of our audit procedures than we originally proposed to management to reflect the timing with which the Council anticipates being ready to support the external audit process. In Section 7 we include a provisional timeline for the audit.

It is essential that all parties collaborate to ensure compliance with this timeline.





## 02 Audit risks



# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Misstatements due to fraud or error\*

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- ▶ Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertake procedures to identify significant unusual transactions.
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Inappropriate capitalisation of revenue expenditure or use of capital reserves\*

### Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Inappropriate adjustments between usable reserves and unusable capital reserves.

If this were to happen it would have the impact of understating revenue expenditure and/or overstating usable reserves.

### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure or inappropriate adjustments between usable reserves and unusable capital reserves.

### What will we do?

- ▶ Test Property, Plant and Equipment (PPE) to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- ▶ Test adjustments made between usable reserves and unusable capital reserves for appropriateness and to ensure they are made at the correct amount.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes or from unusable capital reserves to usable reserves on the general ledger at the end of the year.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Valuation of land and buildings, including surplus assets

### What is the risk?

We have disaggregated land and building assets to identify those where we think the significant risk lies. We have associated the risk to land and building assets that are valued using the Depreciated Replacement Cost (DRC) and Existing Use Value (EUV) valuation methods, as well as surplus assets which are valued at fair value.

The DRC, EUV and fair value valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, and for which the Council uses external specialists.

These estimates heighten the risk of material error.

### What will we do?

- ▶ Understand the Council's approach to valuation of land and buildings, including surplus assets;
- ▶ Determine the impact of revaluations on the financial statements;
- ▶ Consider the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialist;
- ▶ Challenge the assumptions made by management and their specialists, with input from EY real estates (EY specialists) where appropriate;
- ▶ Sample test key asset information used by management's specialists. We will consider if there are any specific changes to assets and whether they have been appropriately communicated;
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the CIPFA Code (or annually for surplus assets);
- ▶ Review assets not subject to valuation in 2024/25 to assess that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Test that accounting entries have been correctly processed in the financial statements.

### Financial statement impact

We have assessed that the risk of incorrect valuation of land and buildings, including surplus assets, results from the complex estimation involved in arriving at valuations, such that the involvement of specialists is required.

Errors, including incorrect assumptions, in relation to valuation would affect the year end carrying value of these assets.

The carrying value of land and buildings, including surplus assets of £42.9m, was £948.5m as at 31 March 2024.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Implementation of the new finance system (Oracle Fusion)

### What is the risk?

The Council upgraded its finance system in May 2024. Major changes to the finance system give rise to a risk that financial data is lost or changed during migration. The Council also continued to use the old system for finalisation of its 2023/24 financial statements after the main data migration occurred, and has therefore had to manually replicate all transactions recorded after this date in the new system which increases the risk of omission.

The implementation of the new system has not gone smoothly, therefore there is also an increased risk of misstatements arising from subsequent use of the new system as a result of challenges encountered in the implementation of the new system.

Given the pervasive nature of these risks, we consider that they pose a risk of material misstatement.

### What will we do?

- Understand the governance processes around the new system implementation and the assurances obtained by the Council's own processes, including with regards to completeness of data migration and any subsequent issues with using the new system.
- With support from our own IT audit specialists, design and execute procedures which respond to the specific risks identified in the Council's implementation of the new system.

At this time we are not able to describe the detailed procedures we will perform as we are still working with management to understand the nature of the challenges the Council has faced with the system implementation and evaluate what financial statement risks these may give rise to. We will provide a further update to the Audit Committee once our detailed scope of work is determined.

### Financial statement impact

We have assessed that the risk of material misstatement of the financial statements is most likely to occur as a result of:

- Data loss in the process of migration between the old and new systems;
- Incomplete recording in the new system of entries made to the old system after the main data migration; and
- Incorrect or incomplete entries being made in the new system as a result of errors in system configuration or other implementation issues.

Due to the nature of this risk, there is potential for misstatement to occur in all financial statement balances.



# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

## Valuation of Council dwellings

The carrying amount of Council dwellings represents a significant balance in the Council's accounts and is subject to revaluation changes on an annual basis. Management is required to make material judgmental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet.

We will:

- ▶ Consider the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialists;
- ▶ Sample test the key asset information used by the specialists in performing their valuations (e.g. nature and number of beacons, valuations of units within beacons);
- ▶ Consider if there are any specific changes to assets/beacons that have occurred and that these have been communicated to the valuer;
- ▶ Consider the appropriateness of management's consideration of estimation uncertainty;
- ▶ Test that accounting entries have been correctly processed in the financial statements; and
- ▶ Check whether in-year additions have been valued using the social housing discount factor.



# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

## What is the risk/area of focus, and the key judgements and estimates?

### Net Pension Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the CIPFA Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024, this totalled £183 million.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The information disclosed is based on the IAS 19 report issued to the Council by its actuary.

## Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Hillingdon Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC as Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by our own EY Pensions specialists;
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

## What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.



## 03 Value for Money risks



# Value for Money

## Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

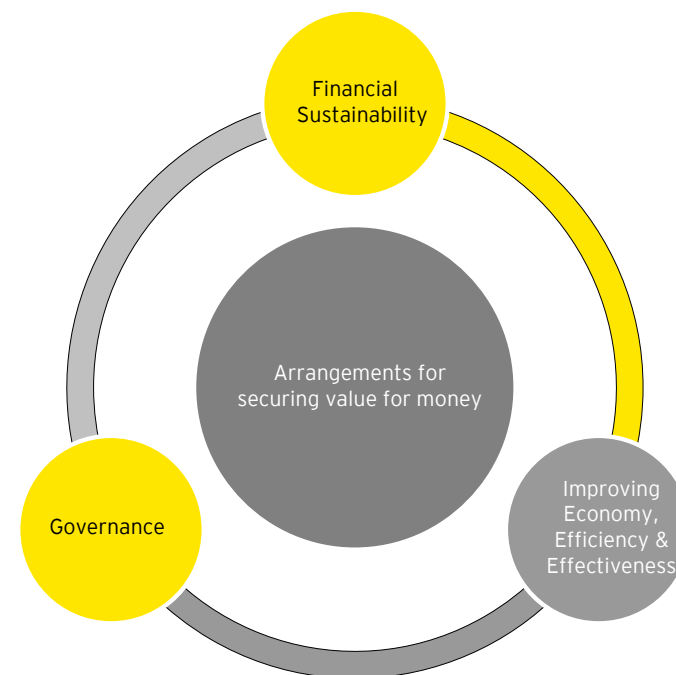
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor Responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- ▶ the governance statement;
- ▶ evidence of arrangements during the reporting period;
- ▶ evidence obtained from our audit of the financial statements;
- ▶ the work of inspectorates and other bodies; and
- ▶ any other evidence that we deem as necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- ▶ exposes, or could reasonably be expected to expose, the Council to significant financial loss or risk;
- ▶ leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the Council's reputation or unlawful actions;
- ▶ identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action / improvement plans.

## Responding to identified risks of significant weakness

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit Committee.

# Value for Money

## Reporting on VFM

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's awareness. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2024/25 Auditor's Annual Report requires to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

## Status of our 2024/25 VFM planning

We have completed our initial value for money planning, where we have considered:

- ▶ Our entity level controls and understanding the business assessment;
- ▶ The Council's risk register;
- ▶ Minutes of meetings of full Council and key committees;
- ▶ Our planning meetings with management; and
- ▶ Key financial and budget information.

Based on this initial risk assessment, we considered it necessary to issue an interim value for money update and made 7 recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. This update includes commentary on the Council's arrangements to secure value for money in its use of resources which we intend to include within our final commentary to be included within the Auditor's Annual Report. See the following pages for further details of the results of our risk assessment and conclusions drawn to date.

Our value for money risk assessment remains an ongoing activity throughout the audit. Additional items we intend to consider when available include the year-end financial reporting, internal audit reports and the results of the inspection of the Social Housing Regulator performed in April 2025.



# Value for Money

## Value for Money Risks

The table summarises the risk of significant weaknesses identified during our planning. We will review arrangements and risks regularly, updating our work if new risks arise and inform you of any additional significant weaknesses.

What is the risk of significant weakness?	What arrangements does this impact	Change from PY	Details and what we will do
Financial sustainability	Financial sustainability	No change in risk or focus	<p>The Council has seen a reduction in its available reserves, and growth of its Dedicated Schools Grant (DSG) deficit, over recent years and was only able to report a balanced outturn for 2023/24 due to the application of two significant one-off accounting adjustments.</p> <p>A significant weakness in arrangements was reported in 2023/24 as we concluded that the Council did not have proper arrangements in place to manage risks to its financial resilience. There is a risk this significant weakness remains during 2024/25.</p> <p>We will respond to this risk by:</p> <ul style="list-style-type: none"> <li>▶ Enquiring of management as to the actions taken during 2024/25 to improve financial management;</li> <li>▶ Reviewing the results of the financial management review the Council has commissioned from CIPFA;</li> <li>▶ Assessing the financial resilience of the Council against external benchmarks;</li> <li>▶ Reviewing the Council's financial outturn and management against budget for 2024-25; and</li> <li>▶ Reviewing the Council's financial projections and plans for the period 2025-26 to 2029-30.</li> </ul> <p>The majority of these actions have already been completed and our conclusions based on the work performed to date reflected within the Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 issued to the Council on 24 July 2025.</p> <p>Given this reporting occurred after the end of 2024/25, and reflected our understanding of, and concerns over, the Council's arrangements up to the point at which they were issued, we expect to conclude that the significant weakness in arrangements reported in 2023/24 remained a significant weakness in arrangements during 2024/25.</p>

# Value for Money

What is the risk of significant weakness?	What arrangements does this impact	Change from PY	Details and what we will do
Quality of Council Information (inc. impact on ability to support the external audit)	Governance	No change in risk or focus	<p>We encountered difficulty in performing our audit procedures as part of the 2023/24 audit due to a combination of poor quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. The Council's internal auditor also raised concerns over the quality of the Council's information and the impact of this upon the Council.</p> <p>A significant weakness in arrangements was reported in 2023/24 as we concluded that the Council did not have proper arrangements in place due to the impact of poor quality data on the Council.</p> <p>In addition, the Council implemented Oracle EPM as its primary budgeting and financial monitoring system in May 2024 and has experienced significant challenges with the implementation of this system which have impacted on the ability of the Council to effectively monitor its financial position.</p> <p>There is therefore a risk this significant weakness remains during 2024/25.</p> <p>We will respond to this risk by:</p> <ul style="list-style-type: none"> <li>▶ Enquiring of management as to the actions taken during 2024/25 to address issues noted during 2023/24;</li> <li>▶ Enquiring of management as to the nature and impact of challenges encountered with the implementation of Oracle EPM, and review any associated reporting on these challenges the Council has produced;</li> <li>▶ Review the reports of internal audit to assess whether the quality of Council data continues to be noted as an area of concern;</li> <li>▶ Considering our experience in executing audit procedures as part of our 2024/25 audit and whether similar difficulties as in 2023/24 are encountered.</li> </ul> <p>Some of these actions have already been completed and our conclusions based on the work performed to date reflected within the Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 issued to the Council on 24 July 2025.</p> <p>Given this reporting occurred after the end of 2024/25, and reflected our understanding of, and concerns over, the Council's arrangements up to the point at which they were issued, we expect to conclude that the significant weakness in arrangements reported in 2023/24 remained a significant weakness in arrangements during 2024/25.</p>

# Value for Money

What is the risk of significant weakness?	What arrangements does this impact	Change from PY	Details and what we will do
Capacity of the Finance Team	Governance	New risk	<p>We encountered difficulty in performing our audit procedures as part of the 2023/24 audit due to a combination of poor quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team.</p> <p>A significant weakness in arrangements was reported in 2023/24 as we concluded that the Council did not have proper arrangements in place due to the impact of poor quality data on the Council, however we also highlighted capacity constraints within the Council's Finance Team as a contributory factor towards the weakness.</p> <p>During 2024/25, the Council has experienced significant turnover in senior finance positions, including in the Section 151 Officer post. The challenges experienced with the implementation of Oracle EPM have also necessitated greater levels of finance support to budget holders, increasing workload on the Council's Finance Team.</p> <p>For 2024/25, we recognise the capacity of the Council's Finance Team as a separate risk to the quality of the Council's data as the actions taken by the Council to address the prior year's observations differ from those taken to address the observations over the quality of the Council's data.</p> <p>We will respond to this risk by:</p> <ul style="list-style-type: none"> <li>▶ Enquiring of management as to the actions taken during 2024/25 to address issues noted during 2023/24;</li> <li>▶ Review the reports of internal audit to assess whether any reviews are performed which provide insight into the timeliness of actions by the Council's Finance Team, or the operation of financial controls;</li> <li>▶ Considering our experience in executing audit procedures as part of our 2024/25 audit and whether similar difficulties as in 2023/24 are encountered.</li> </ul>

At this time, we do not consider it necessary to identify a separate risk of significant weakness in relation to the Oracle system upgrade as it is considered as part of the risks above over the quality of Council information and capacity of the Finance Team, however we are alert to the potential for value for money observations (as well as financial statement impacts) to arise from the arrangements around the implementation of this new system itself and will keep this under review as we execute our audit procedures over the systems upgrade (as set out in Section 2 and on the previous page).





## 04 Audit materiality

# Materiality

## Materiality

For planning purposes, materiality for 2024/25 has been set at £12.6m. This represents 1.4% of the Council's gross expenditure on provision of services in the 2023/24 financial statements. It will be reassessed throughout the audit process.

We have chosen gross expenditure on provision of services as we consider that this is of primary interest to the users of the financial statements. We have chosen 1.4%, which is in the middle of the range of percentages within our audit approach for comparable size councils, after consideration of a range of factors such as the public profile of the entity and the level and nature of its borrowings.

We have reduced our materiality level from the 1.8% of gross expenditure on provision of services applied in 23/24 due to the deterioration in Council's financial standing and associated expectation of greater interest in the financial statements from stakeholders.

Gross expenditure on provision of services (2023/24)

£903m

Planning  
materiality  
£12.6m

Performance  
materiality  
£6.3m

Audit  
differences  
£0.63m

We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £6.3 million, which represents 50% of planning materiality. We have used 50%, which is at the lower end of the range within our audit approach, after consideration of a range of factors including the difficulties encountered in performing prior year audit procedures and the significant weakness in arrangements we reported in relation to the quality of the Council's data.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.





## 05 Scope of our audit

# Audit process and strategy

## Objective and Scope of our Audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code.

We issue an audit report that covers:

### 1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

# Audit process and strategy

## Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations and IT specialists with an expertise in data migration.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

### **Analytics**

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

### **Internal audit**

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.





## 06 Audit team



# Audit team





# Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Real Estate
Pensions disclosure	EY Actuaries
Implementation of the new finance system (Oracle Fusion)	EY IT Audit Specialists

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council’s business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist’s findings are properly reflected in the financial statements



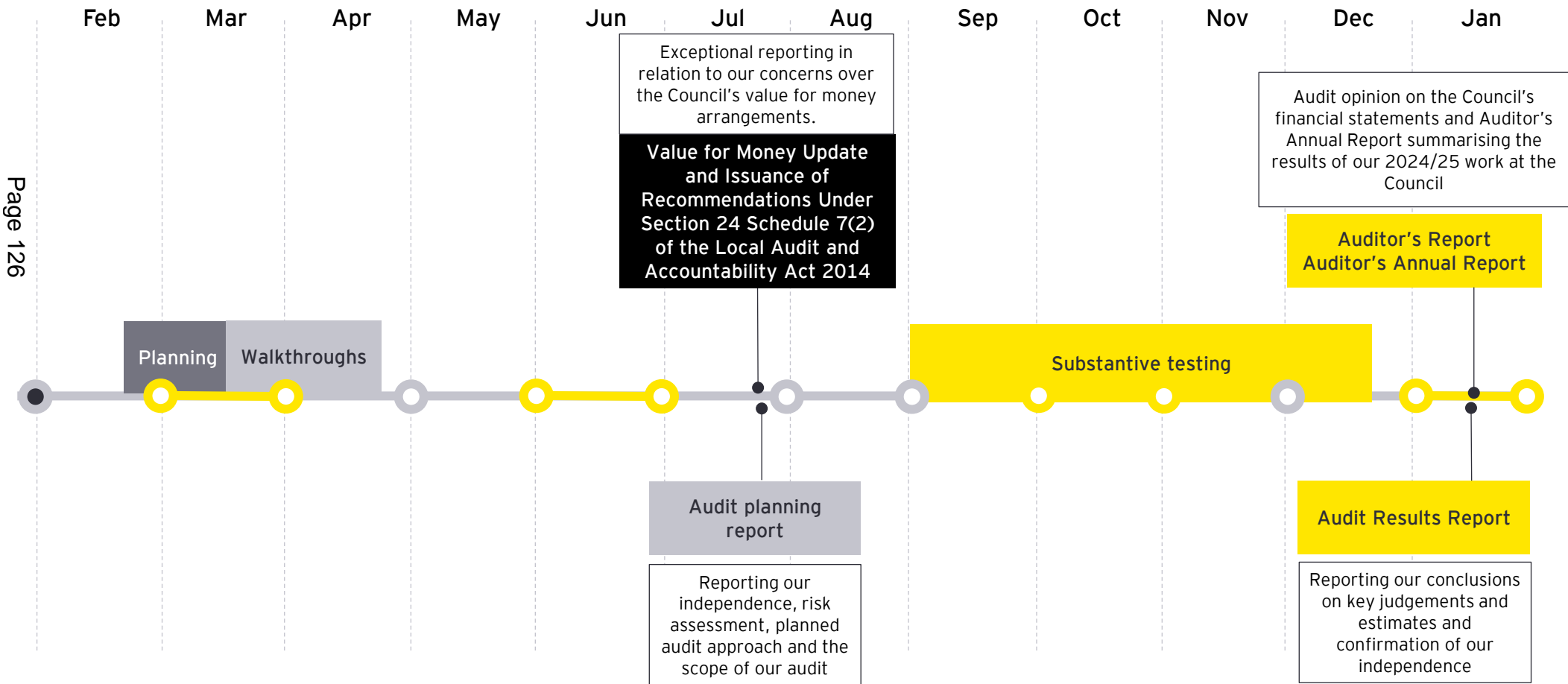
# 07

## Audit timeline

# Timetable of communication and deliverables

## Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.







## 08 Independence



# Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlighted the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, the current ratio of non-audit fees to audit fees is below 1:1. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work. There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

# Other communications

## EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report](#).





## 09 Appendices



# Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## **Preparation of the statement of accounts**

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- ▶ prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ▶ ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- ▶ assign responsibilities clearly to staff with the appropriate expertise and experience;
- ▶ provide necessary resources to enable delivery of the plan;
- ▶ maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ▶ ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ▶ ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- ▶ during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ our financial statement opinion and value for money conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council;
- ▶ an effective control environment; and
- ▶ compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current Year Fee	Scale Fee	Prior Year Fee
	£	£	£
Scale Fee - Council	433,673	433,673	403,723
Scale Fee - Pension Fund	92,572	92,572	81,688
Scale Fee Variation - Council (notes 1-3)	-	-	TBC
Scale Fee Variation - Pension Fund (notes 3-4)	-	-	5,000
<b>Total Audit Fees</b>	<b>526,245</b>	<b>526,245</b>	<b>TBC</b>
Non-Audit Work - Housing Benefit Certification (note 5)	TBC	-	TBC
<b>Total other non-audit services</b>	<b>TBC</b>	<b>-</b>	<b>TBC</b>
<b>Total fees</b>	<b>TBC</b>	<b>526,245</b>	<b>TBC</b>

*All fees exclude VAT, notes overleaf*

## Appendix B – Fees

### Notes

(1) As highlighted within our Audit Results Report on the 2023/24 audit, we encountered difficulty in performing our audit procedures in 2023.24 due to a combination of poor quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. The audit resources expended in seeking to maximise the assurance obtained in light of these difficulties exceeded the effort with which we would have expected to be able to complete your audit. We have proposed additional fees of £104,319 to management and PSAA in relation to the 2023/24 audit of the Council to reflect this additional effort.

(2) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by MHCLG and the FRC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit. In doing so, PSAA will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(3) As set out in Sections 02 and 03, we have identified a significant risk in relation to the implementation of the Oracle system upgrade and identified the Oracle implementation as relevant to identified risks of significant weakness in the Council's arrangements for which we consider it necessary to involve our IT audit specialists in the response to this risk. The scope of work for our IT audit specialists has been agreed with management and will result in additional audit fees of £68,392 for the Council, plus £6,674 additional audit fees for the Pension Fund for incremental work to address risks of misstatement in the Pension Fund financial statements (reported separately in the Pension Fund's Audit Planning Report). Additional audit effort has also been incurred, or will be incurred, in preparing and issuing our Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 report issued on 24 July 2025, and as a result of the decrease in materiality which reflects the increased risk profile of your audit. We will discuss the impact of this additional audit effort on our audit fees with management as our audit progresses.

(4) Our 2023/24 audit of the Pension Fund identified a number of in-year risks which required additional audit effort. In addition, the application of ISA 315 (Revised), and the associated audit effort, was not factored into the scale fee determined by PSAA. We have proposed additional fees of £5,000 to management and PSAA in relation to the 2023/24 audit of the Pension Fund to reflect this additional effort.

(5) We have agreed to perform the assurance work in relation to the Council's 2023/24 Housing Benefit return, and our fees will depend upon the results of our testing and whether additional testing is required inline with the guidance issued by the Department for Work and Pensions. We have not yet agreed with management whether we will be providing this work in respect of the Council's 2024/25 Housing Benefit return.

# Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Provisional Audit Planning Report - this report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	Audit Results Report - November 2025



# Appendix C – Required communications with the Audit Committee

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - November 2025
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - November 2025
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	Audit Results Report - November 2025

# Appendix C – Required communications with the Audit Committee

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - November 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</li> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Provisional Audit Planning Report - this report</p> <p>Audit Results Report - November 2025</p>

# Appendix C – Required communications with the Audit Committee

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - November 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report - November 2025
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - November 2025
Representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - November 2025
System of quality management	<ul style="list-style-type: none"> <li>▶ How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	Audit Results Report - November 2025
Material inconsistencies and misstatements	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - November 2025
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - November 2025

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ED None

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## AUDIT COMMITTEE ANNUAL REPORT FOR 2024/25

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit
<b>Papers with report</b>	Draft Audit Committee Annual Report for 2024/25
<b>Ward</b>	All

### HEADLINES

This draft report summarises the work of the Audit Committee during 2024/25 and how it has undertaken its responsibilities for reviewing the key areas within its remit.

In line with good governance, the Audit Committee should ensure that the wider Council is aware of the breadth and extent of the work completed by the Committee on its behalf.

This draft report contains the information that is proposed to be presented to Council, so that it can be assured that the Audit Committee is acting appropriately on its behalf.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Reviews and Approves the Draft Audit Committee Annual Report for 2024/25 and/ or suggests any amendments that should be made, where necessary, before the report is presented to Council.**

### SUPPORTING INFORMATION

None

### BACKGROUND PAPERS

None

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# ANNUAL REPORT OF THE AUDIT COMMITTEE

## 2024/25

### Report Distribution

- Audit Committee: 28<sup>th</sup> August 2025
- Council: TBC 2025





## 1. INTRODUCTION

- 1.1 In line with best practice guidance, the Audit Committee is required to submit an annual report to Council outlining the Committee's activities over the previous year. This report summarises the work of the Audit Committee during 2024/25 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:
- Internal Audit
  - External Audit
  - Counter Fraud
  - Risk Management
  - Financial reporting process of the Statement of Accounts.
- 1.2 In compliance with the Accounts and Audit Regulations 2015, the Audit Committee has reviewed the effectiveness of the systems of internal control, by receiving regular reports from these areas above that contribute to the control framework. This report provides an opportunity for Council Members to review the work of the Audit Committee and comment on its contribution and performance.

## 2. Key Activities of the Audit Committee

- 2.1 The Terms of Reference (ToR) of the Committee are attached at [Appendix A](#).
- 2.2 During the 2024/25 municipal year, the Audit Committee met on four occasions: 30 April 2024, 28 August 2024, 20 November 2024 and 11 February 2025.
- 2.3 Membership and attendance of the Audit Committee comprised as follows:

Member name	Member appointment	Meeting Attendance
Mr John Chesshire (Chair)	Appointed November 2017 - present	Attended April 24, November 24 and February 25
Cllr Nick Denys (Vice-Chair)	Appointed May 2022 - present	Attended all four meetings
Cllr Tony Burles	Appointed May 2022 - present	Attended all four meetings
Cllr Henry Higgins	Appointed May 2023 - present	Attended August 24, November 24 and February 25
Cllr June Nelson	Appointed May 2023 - present	Attended April 24, August 24 and February 25.
Cllr Reeta Chamdal	Appointed May 2022 - May 2024	Attended April 24
Cllr Philip Corthorne	Appointed May 2024 - May 2025	Attended August 24, November 24 and February 25
<b>Reserve members</b>		
Cllr Kishan Bhatt	Reserve Member	Attended in April 2024
Cllr Richard Lewis	Reserve Member	
Cllr Scott Farley	Reserve Member	

- 2.4 The role delegated by the Council to the Audit Committee is to provide independent assurance over the governance, risk management and the system of internal control in operation at the Council. The Audit Committee has fulfilled this role by undertaking the following key activities:

**a) Oversight of Internal Audit**

- The Audit Committee oversaw the activity of the Council's Internal Audit service to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations.
- During 2024/25, the Audit Committee reviewed the 2023/24 Annual Internal Audit Report and Head of Internal Audit Opinion Statement, the 2024/25 Annual Internal Audit Plan, and quarterly progress reports and operational plans.
- The Audit Committee sought explanations from the Head of Internal Audit about the recommendations emanating from 'Limited' or 'No' assurance audits and monitored the ongoing implementation of actions through the follow up process.
- Finally, the Audit Committee also monitored the initial actions taken by the Internal Audit service to prepare for the Global Internal Audit Standards applicable from the 1 April 2025.

***The Audit Committee is satisfied that Internal Audit is effective and adds value to the Council.***

**b) Oversight of External Audit**

- The Committee has reviewed the activity of the Council's External Auditors (Ernst & Young) to assist it in its role of monitoring the internal control and financial governance arrangements of the Council's operations. The Committee has received and considered the external audit plan, progress updates and reviewed External Audit performance.
- During 2024/25 the Audit Committee reviewed the 2022/23 Statement of Accounts, Audit Completion Report, and Value for Money report. This had been delayed from the prior year due to the ongoing national delays, which are consistent with other local authorities. The Audit committee also received the 2022/23 Pension Fund Audit Results Report and the 2023/24 Audit Plan.
- In February 2025 the Audit Committee received the 2023/24 Statement of Accounts and draft Audit Results report and draft Pension Fund Audit Results Report. These were finalised following the meeting and presented to the May 2025 meeting.

***The Audit Committee is satisfied with the Council's External Audit arrangements during 2024/25***

**c) Prevention and Detection of Fraud and Corruption**

- The Council operates a zero-tolerance policy towards all fraud and corruption. The Counter Fraud Team (CFT) conducts proactive and reactive counter fraud activity to highlight fraud, loss and error. This minimises the Council's exposure to fraud and maximises its preventative savings.
- The Audit Committee has received quarterly progress reports from the CFT, a detailed 2024/25 Annual Plan and Annual Report for 2023/24. The team has responsibility for the oversight of the effectiveness of the Council's policies and procedures to prevent and detect fraud and corruption.
- In 2024/25, the CFT had achieved several successful outcomes, including a total of c£10.9m in loss prevention savings across Council services. These savings included the recovery of 112 council properties due to tenancy fraud, an 8% increase on the previous year's outcomes.

***The Audit Committee is satisfied with the effectiveness of the Council's counter fraud arrangements during 2024/25.***

**d) Risk Management**

- The Audit Committee monitored the implementation of the new Risk Management system and processes throughout 2024/25, as part of the Committee's role to independently assess the Council's risk management arrangements.
- They received quarterly risk management reports, including the risk management KPIs, Corporate Risk Register, and Strategic Risk Report. Following concerns raised in February in relation to the high number of risks overdue for review, action was taken by Officers to improve performance by the year end.
- In February 2025 the Audit Committee also received additional assurance on the Transformation, Digital and Technology risk management from the Chief Operating Officer. This presentation focused on the risk management arrangements within the Corporate Services Directorate, as well as a deep-dive into the actions being taken to mitigate the biggest risks within the Directorate.

***The Audit Committee is satisfied that the Risk Management arrangements enable it to provide sufficient challenge to officers around the identification and management of the key risks to the Council.***

**e) Approval of Financial Accounts**

- Throughout 2024/25, the Audit Committee was provided with audit progress reports on the Council's annual statement of accounts for 2022/23 and 2023/24. This included considering whether appropriate accounting policies have been followed in relation to the accounts.
- Weaknesses identified by External Audit in relation to financial reporting, data quality and financial sustainability were highlighted by the Audit Committee and further assurance requested from officers to ensure appropriate actions were taken to address these.
- The Audit Committee also reviewed the Council's Annual Governance Statement as part of the draft and final accounts for 2022/23 and 2023/24.

### 3. Conclusion

- 3.1. The Audit Committee considers that it has continued to make a significant contribution to ensuring that the key elements of the governance framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.

**APPENDIX A: AUDIT COMMITTEE TERMS OF REFERENCE**

The Constitution defines the Terms of Reference for the Audit Committee as:

The Audit Committee's role is to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

**Internal Audit**

- 1) Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
- 2) Review, approve and monitor (but not direct) Internal Audit's planned programmes of work, paying particular attention to whether there is sufficient and appropriate coverage.
- 3) Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate with due regard to risk, materiality and coverage.
- 4) Make recommendations to the Leader of the Council and Cabinet Member for Finance on any changes to the Council's Internal Audit Strategy and plans.
- 5) Review the Annual Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
- 6) Consider reports dealing with the activity, management and performance of internal audit services.
- 7) Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, to request work from Internal Audit.

**External Audit**

- 8) Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- 9) Monitor management action in response to issues raised by External Audit.
- 10) Receive and consider specific reports as agreed with the External Auditor.
- 11) Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.



- 12) Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
- 13) Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, to commission work from External Audit.
- 14) Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

#### Governance Framework

- 15) Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and where necessary, bring proposals to the Leader of the Council or the Cabinet for their development.
- 16) Review any issue referred to it by the Chief Executive, Corporate or Executive Director, any Council body or external assurance providers including inspection agencies.
- 17) Monitor and review (but not direct) the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that appropriate action is being taken on managing risk.
- 18) Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy making any recommendations on changes to the Leader of the Council and relevant Corporate / Executive Director.
- 19) Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
- 20) Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
- 21) Where requested by the Leader of the Council, Cabinet Member for Finance or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

#### Accounts

- 22) Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
- 23) Consider the external auditor's report to those charged with governance on issues arising from the external audit of the accounts.

#### Review and reporting

- 24) Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

## RISK MANAGEMENT REPORTS

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	Q1 Risk Management Report Strategic Risk Report
<b>Ward</b>	All

The Q1 Risk Management Report presents to the Audit Committee a summary of the Council's risks from the Risk Management System at the end of June 2025.

The Risk Report focuses on key performance indicators to support the Committee gain assurance risks are being managed effectively across the Council and mitigating actions are being implemented. The report also includes a summary of the Council's red rated risks, also known as the Corporate Risk Register, as at the end of June.

The Strategic Risk Report focuses on the strategic risks potentially impacting on the Council's Strategic Objectives, aligning them to the Council's key performance indicators to provide assurance the risks are being managed effectively.

### RECOMMENDATIONS:

**That the Audit Committee:**

1. Note the reports and level of assurance received.

### SUPPORTING INFORMATION

None

### BACKGROUND PAPERS

None

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# RISK MANAGEMENT REPORT

**Q1 2025/26**

30 June 2025



**HILLINGDON**  
LONDON



# CONTENTS

The key contacts in connection with this document are:

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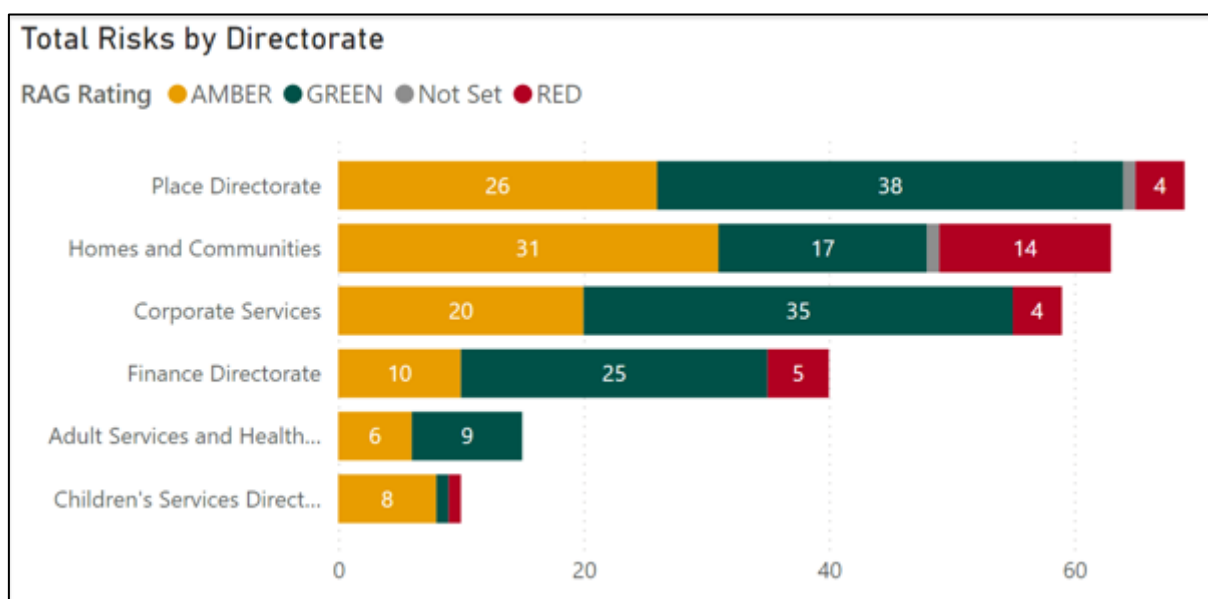
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## 1. INTRODUCTION

- 1.1 Hillingdon Council has a statutory responsibility to ensure arrangements are in place for managing risks. Risk management is about managing opportunities and threats to objectives to help create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate governance. Although risks can never be entirely eliminated, proportionate and targeted action can be taken to reduce risks to an acceptable level.
- 1.2 Managing risk should be viewed as a mainstream activity and something that is an integral part of everyday management. Risk Management involves the early identification of risks, assessing their potential consequences, and determining the most effective way to reduce the likelihood and/or impact of the risk. The Council's Risk Management Policy provides a framework to ensure there are clear roles, responsibilities and methodologies for identifying, recording and managing risks.
- 1.3 This report summarises the Council's Risk Register as at the end of the quarter and outlines the work undertaken during the quarter to improve risk management arrangements. It is designed to support the Audit Committee to monitor and review (but not direct) the authority's risk management arrangements, as per the Committee's terms of reference.

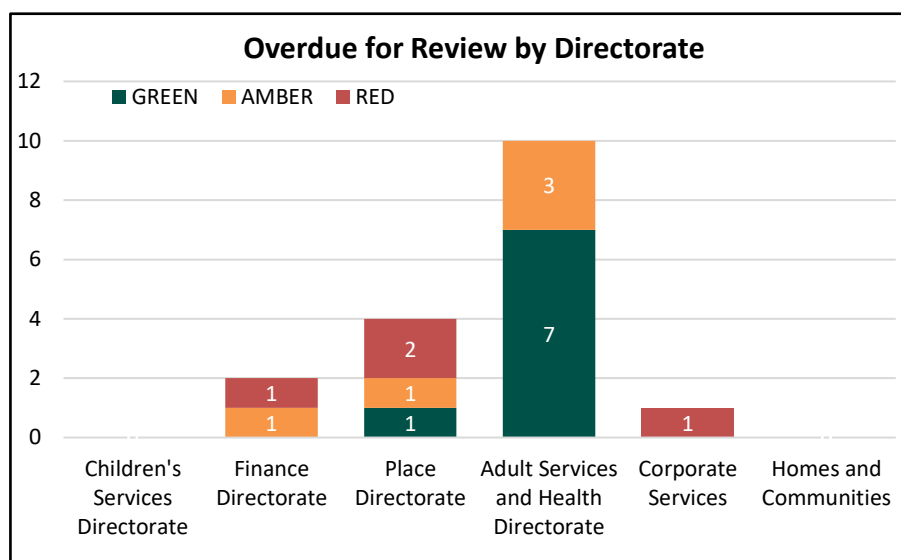
## 2. RISK REGISTER UPDATE

- 2.1 There were **256 total risks** recorded on the Risk Management System at the end of June 2025. This is an increase from 242 risks at the end of 2024:



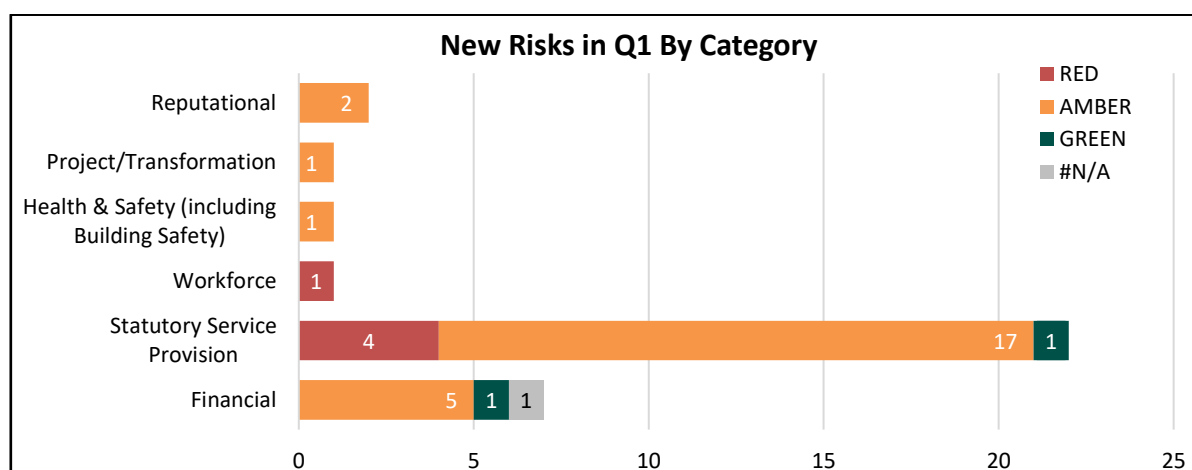
- 2.2 There were **28 red rated risks** on the risk register (a net increase of two at the end of 2025/26). During the quarter three red risks were downgraded to amber and removed from the corporate risk register and five were escalated or added to the register. The details of the red rated risks are shown on the corporate risk register in section three of this report.
- 2.3 The Place Directorate continue to have the highest number of risks on JCAD, followed by Homes and Communities and Corporate Services. Corporate Services have had the largest increase in risks (net increase of 19 risks), followed by Homes and Communities with a net increase of 12. The increase in Corporate Services is predominately due to a services moving between directorates during Q1, including Internal Audit and Counter Fraud moving to Corporate Services.
- 2.4 There were only **two unscored risks** at the end of the quarter. This is a positive indication officers have become more comfortable scoring risks in line with the Council's Risk Scoring Methodology (see Appendix A) to ensure they are escalated and monitored appropriately.

2.5 At the end of the quarter there were **17 risks overdue for review**, a positive decrease from 34 risks at the end of 2024/25 and 61 risks at the end of Q3 2024/25. The majority of these were green rated risks in the Adult Services and Health Directorate.

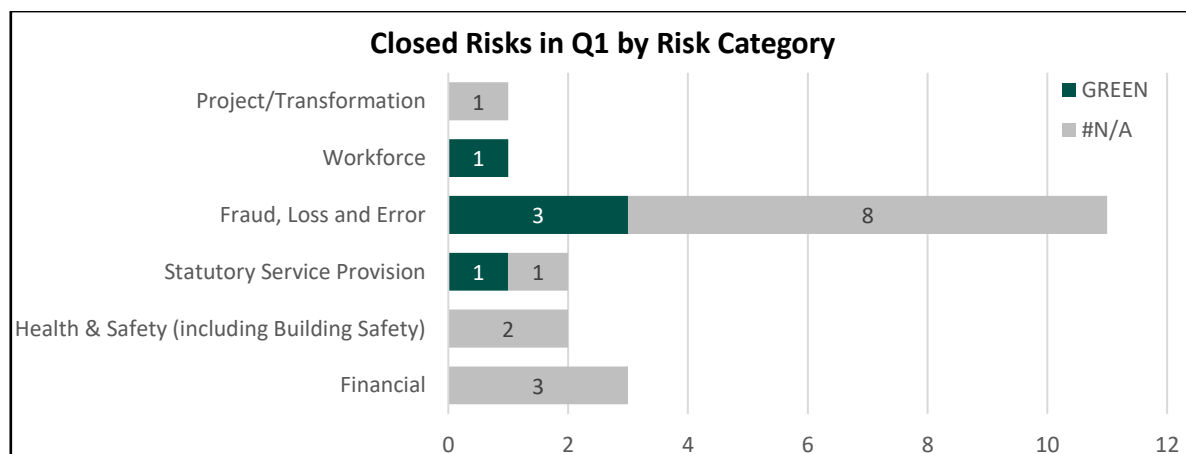


2.6 Four red rated risks were overdue for review at the end of the quarter. These are highlighted in the corporate risk register in section three of this report.

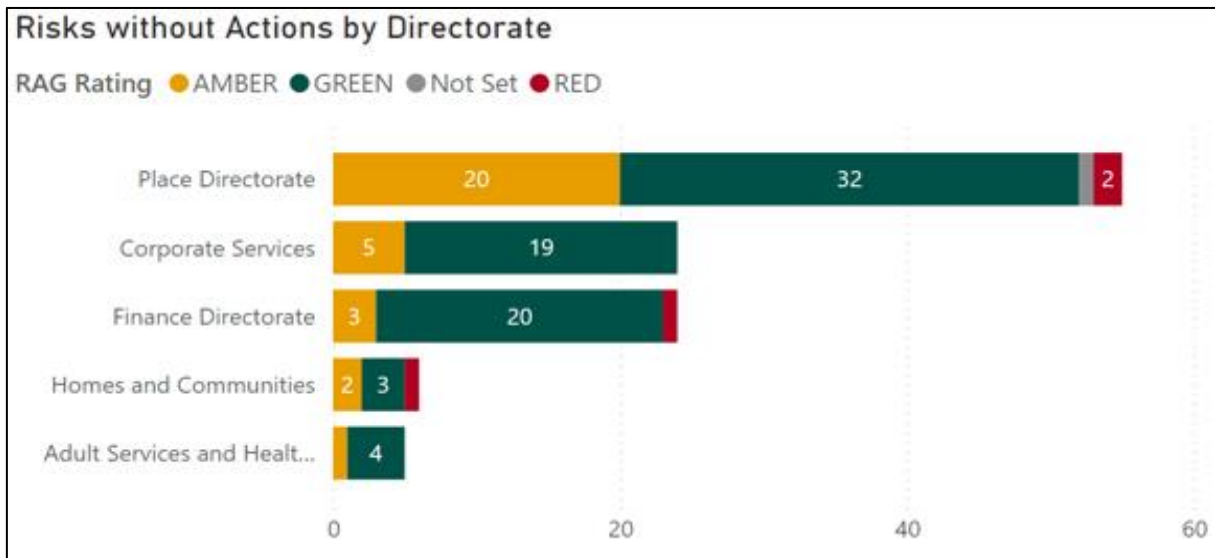
2.7 During the quarter there were **34 new risks added to the risk register**. 65% related to Statutory Service Provision, including four red rated risks relating to the Housing Needs Service. The fifth red risk added during the quarter related to Workforce and ensuring legal compliance with the 'Safer Recruitment' Standards.



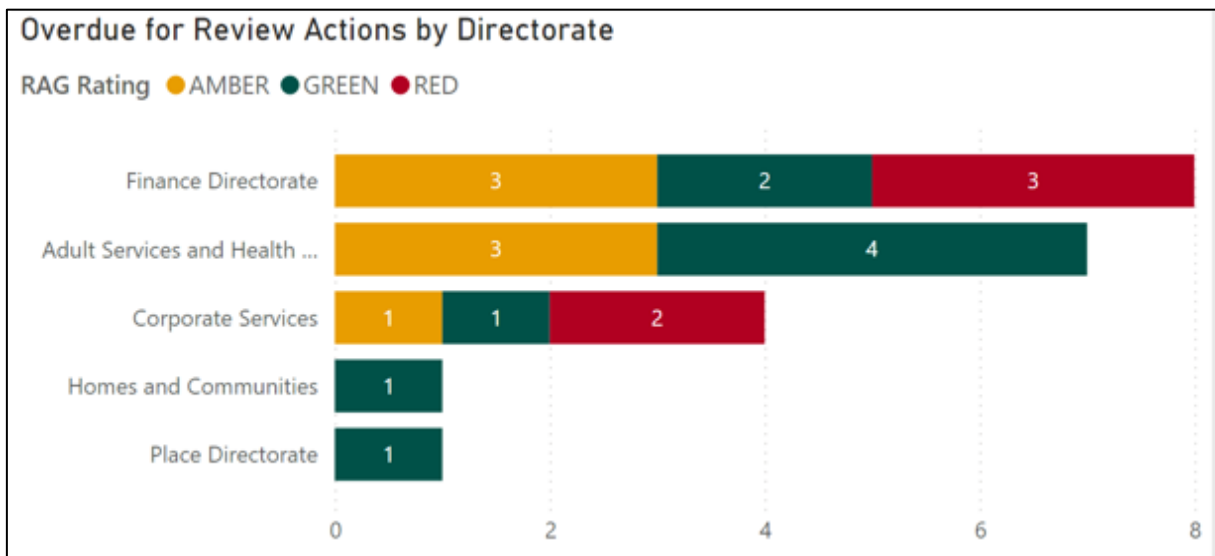
2.8 During the quarter there were **20 risks closed and removed from the risk register**. 55% related to Fraud, Loss and Error risks previously added by the Counter Fraud team and now closed as tolerated by the relevant service.



- 2.9 All risks added to the Risk Management System should have actions allocated to reduce the likelihood or impact of the risk. If a risk does not have actions in place to reduce the risk score it should be considered whether the current risk score is within the Council's risk appetite level and therefore it is appropriate to tolerate the risk.
- 2.10 At the end of the quarter there were **115 risks without actions** allocated on the risk management system. This is 45% of all risks however a reduction from 56% of all risks at the end of 2024/25. Unfortunately, this includes four red rated risks which would be unusual to tolerate with such a high likelihood and/or impact. These risks are highlighted in section three of this report.



- 2.11 In total there were 188 actions allocated against 141 risks on the system. Of these only **21 actions were overdue** for review at the end of the quarter (11%).





### 3. CORPORATE RISK REGISTER UPDATE

- 3.1 The Council's Corporate Risk Register (CRR) is an essential part of the Council's Risk Management arrangements. The CRR includes any operational risks from the Risk Management System graded 'red' due to their potential likelihood and impact. These risks are then monitored by the Corporate Management Team and used to inform the Strategic Risks presented to the Audit Committee in the Strategic Risk Report. The Corporate Risk Register is outlined in Appendix A.
- 3.2 The CRR is presented to the Corporate Management Team (CMT), Corporate Governance Group and the Audit Committee quarterly. The Corporate Management Team is responsible for ensuring the identified risks are being managed and mitigating actions are being implemented. The Corporate Governance Group and Audit Committee maintain oversight of the risk management arrangements and monitor the CRR to gain assurance the arrangements are working effectively.
- 3.3 During the quarter three risks were removed from the Corporate Risk Register:

CRR Risk:	2024/25 Q4	2025/26 Q1
EDUSEN0004 - Uncertainty over the Safety Valve Agreement and impact if it is not held by DfE	Static B1	Reduced to Amber (E1) on 22/04/2025 following positive discussions with the DfE
PLANRE0010 - Delivery of Carbon Neutrality by 2030	Static C2	Reduced to Amber (C3) on 03/04/2025 when reviewed by the new risk owner
PLANRE0015 - Unable to spend S106 funding on time	Static D1	Reduced to Amber (D2) on 03/04/2025 as there were no funds at risk at the time.

- 3.4 During the quarter five new risks were added to the Corporate Risk Register:

HR0015 - Safer Recruitment and compliance	This risk relates to improving workforce related activities to ensure legal compliance with the 'Safer Recruitment' standards. Additional HR resources have been appointed to accelerate the implementation of the required standards.
HOUSNE0014 - Low volume of preventions achieved resulting in static or increased demand for TA.	These risks have been added following an in-service review of their risk register to reflect the increasing demand on temporary accommodation, against the limited supply of accommodation. Leading to increasing cost pressures and reduced services. These risks also relate to the wider Strategic Risk around meeting housing needs and are being mitigated through the overarching Temporary Accommodation Action Plan.
HOUSNE0018 - Risk of being overwhelmed by NASS evictions if Central Government do not intervene.	
HOUSNE0024 - Lack of TA supply within capped rates will see TA costs continue to rise and not meet targets savings	
HOUSNE0025 - Do not deliver 2025/26 Service Plan target of 350 PRS moves and savings.	

### 4. FORWARD PLAN

- 4.1 During quarter one the Head of Internal Audit also worked with the Business Intelligence Team to develop a PowerBI Risk Dashboard for CMT. This will be further refined during quarter two and consolidated into the wider governance reporting, in line with the Directorate Governance workstream from the Governance Review Improvement Programme.

## APPENDIX A: SUMMARY OF CORPORATE RISKS AS AT Q1 2025

CRR Risk:	2024/25 Q2	2024/25 Q3	2024/25 Q4	2025/26 Q1	Last Reviewed	Next Review Due
PROCUR0002 - Financial Resilience of Contracts	Static C2	Static C2	Static C2	Static C2	26/06/2025	26/09/2025
TECH0001 - Cyber Security	Static C1	Static C1	Decrease D1	Static D1	25/06/2025	25/12/2025
STRAF0002 - Ability to Deliver a Balanced Budget in the Short & Medium Term	Static A1	Static A1	Static A1	Static A1	09/06/2025	31/10/2025
LANNB0004 - Decent Homes/ Thermal efficiencies	Static B1	Static B1	Static B1	Static B1	30/06/2025	17/09/2025
LANDB0003 - Decarbonisation	Static C2	Static C2	Static C2	Static C2	17/06/2025	17/07/2025
PENS0015 - Failure of employers to deliver accurate and timely employee administration information	Static A3	Static A3	Static A3	Static A3	12/05/2025	12/08/2025
TRSA0003 - Liquidity Risk	Static D1	Static D1	Static D1	Static D1	02/06/2025	02/07/2025
CHILSC0012 - Increasing cost of external residential provision and reduced internal resilience	Static C2	Static C2	Static C2	Static C2	27/05/2025	27/08/2025
HOUSNE0001 - High Levels of Homelessness Demand	Static C2	Static C2	Static C2	Static C2	24/06/2025	17/09/2025
LANDB0011 - Housing Landlord Service - Not Meeting Regulatory Requirements	Static A2	Static A2	Static A2	Static A2	24/06/2025	17/09/2025
LANDB0019 - Lone-working devices - no visiting officers within housing have lone working devices.	New B2	Static B2	Static B2	Static B2	19/06/2025	19/07/2025
PROPER0001 - Disposal Programme		New D1	Static D1	Static D1	31/03/2025	30/04/2025
PROPER0006 - Insurance Valuations		New A1	Static A1	Static A1	31/03/2025	30/04/2025
FINMAN0007 - Insufficient capacity to meet support demand		New C2	Static C2	Static C2	19/03/2025	19/04/2025
PLANRE0008 - Planning, Building Control and Land Charges System (Ocella) unsupported and unfunded from Jan 2027		New A2	Static A2	Static A2	09/06/2025	09/09/2025
PENS0011 - Failure of the pool in management of funds / access to funds			New D1	Static D1	12/05/2025	12/08/2025
LANDB0021 - Compliance IT systems and reliance on spreadsheets			New C2	Static C2	30/06/2025	30/07/2025
HOUMAN0024 - Current RSH inspection notice - Reputational risk of failing against the standards required.			New C2	Static C2	19/06/2025	19/07/2025
LANDB0026 - Rent increasing because of operating model and structure of the line management.			New B2	Static B2	19/06/2025	19/07/2025
LANDB0025 - There is concern in all areas of the service with Data Quality and Performance analysis.			New B2	Static B2	19/06/2025	19/07/2025
LANDB0022 - Complaint reporting and management.			New C2	Static C2	19/06/2025	17/09/2025
ASSETS0018 - Upcoming Regulatory Compliance and Enhanced Operational Efficiency			New C2	Static C2	30/06/2025	30/07/2025

BUSTRA0001 - The transformation programme required to deliver significant savings in order for the Council to achieve a balanced budget.			New C2	Static C2	24/03/2025	24/06/2025
HR0015 - Safer Recruitment and compliance				New C2	26/06/2025	26/09/2025
HOUSNE0014 - Low volume of preventions achieved resulting in static or increased demand for TA.				New C1	24/06/2025	24/09/2025
HOUSNE0018 - Risk of being overwhelmed by NASS evictions if Central Government do not intervene.				New B2	16/04/2025	17/09/2025
HOUSNE0024 - Lack of TA supply within capped rates will see TA costs continue to rise and not meet targets savings				New C2	16/04/2025	17/09/2025
HOUSNE0025 - Do not deliver 2025/26 Service Plan target of 350 PRS moves and savings.				New C2	16/04/2025	17/09/2025

## APPENDIX B: RISK SCORING METHODOLOGY

LIKELIHOOD			RISK SCORE			
Greater than 90%	This Week	Very High (A)	<b>A4</b> <sup>(6)</sup>	<b>A3</b> <sup>(12)</sup>	<b>A2</b> <sup>(18)</sup>	<b>A1</b> <sup>(24)</sup>
70% to 90%	Next Week / This Month	High (B)	<b>B4</b> <sup>(5)</sup>	<b>B3</b> <sup>(10)</sup>	<b>B2</b> <sup>(15)</sup>	<b>B1</b> <sup>(20)</sup>
50% to 70%	This Year	Significant (C)	<b>C4</b> <sup>(4)</sup>	<b>C3</b> <sup>(8)</sup>	<b>C2</b> <sup>(12)</sup>	<b>C1</b> <sup>(16)</sup>
30% to 50%	Next Year	Medium (D)	<b>D4</b> <sup>(3)</sup>	<b>D3</b> <sup>(6)</sup>	<b>D2</b> <sup>(9)</sup>	<b>D1</b> <sup>(12)</sup>
10% to 30%	Next 5 Years	Low (E)	<b>E4</b> <sup>(2)</sup>	<b>E3</b> <sup>(4)</sup>	<b>E2</b> <sup>(6)</sup>	<b>E1</b> <sup>(8)</sup>
Less than 10%	Next 10 Years	Very Low (F)	<b>F4</b> <sup>(1)</sup>	<b>F3</b> <sup>(2)</sup>	<b>F2</b> <sup>(3)</sup>	<b>F1</b> <sup>(4)</sup>
			IMPACT			
			Small (4)	Medium (3)	Large (2)	Very Large (1)
<b>Financial:</b>			Up to £250k	£250k - £1million	£1million - £5million	Over £5million
<b>Service Provision:</b>			Slightly reduced	Service suspended short term	Service suspended long term / statutory duties not delivered	
<b>Health &amp; Safety:</b>			First Aider required	Broken Bones/Illness	Loss of life / Major illness	Major loss of life / large scale major illness
<b>Workforce:</b>			Negative morale	Some hostility / minor non cooperation	Industrial action	Mass staff leaving
<b>Reputation:</b>			Minor Letters	Adverse local media	Adverse national publicity	Remembered for years
<b>Government Relations:</b>			Poor assessment		Service taken over temporarily	Service taken over permanently



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# Strategic Risk Report

Page 161

13 August 2025



**HILLINGDON**  
LONDON

[www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

Risk Description

Ability to deliver the budget savings in 2025/26 and 2026/27 and the need to mitigate against the overspend in 2024/25. Accounting and monitoring practices have not been sufficiently strong and clear. This risk primarily arises from the significant reductions in funding from Central Government over many years whilst at the same time Government increasing the burden on Local Authorities, along with a low tax and fees policy at Hillingdon Council that lowers possible income whilst benefitting residents from a tax burden perspective. This is against a backdrop of increasing expectations from residents, the legacy impact of Covid-19, high baked in inflation and wider demand-led and demographic pressures on statutory and non statutory services. Inadequate supply in areas such as temporary housing are putting significant pressures on the Councils budget. The Council continues to prioritise universal services for the benefit of wider residents alongside significant provision of demand led adults and children's services and housing. Asylum and asylum hotels have had a disproportionate impact on Hillingdon as it is a gateway authority, particularly post covid. All these factors significantly increase the potential that the Council will be unable to meet its statutory obligation to set and operate within a balanced budget and may require Exceptional Financial Support from Government, and therefore the Council must deliver significant transformation alongside and the Target Operating Model work to avoid this and resolve these significant challenges.

Service Strategy

Targets And RAG

- 1. Financial Modernisation and Improvement Program

Risk Description

Social care market conditions has resulted in inflated costs and lack of choice for residential and IFA care options for Looked After Children. This results in a significant risk to financial stability of Children's Services and the Council as a whole. It also poses a risk to regulatory outcomes for children.

In SEND, primary legislation promoting parental choice coupled with limited provision for ASD conditions increases reliance on INMSS which creates a financial risk.

Service Strategy

- 1. DSG Recovery Plan
- 2. SEND Improvement Plan
- 3. Fostering Transformation Programme
- 4. Charville Residential Project
- 5. CWD Respite Project
- 6. Care Offer
- 7. Social Work Delivery Model

Targets And RAG

High-Cost Residential Placements (Target <19)	
Mother & Baby Placements (Target <5)	
Final EHCP Issued in 20 weeks (Target >85%)	

Risk Description

In line with the London picture, demand from homeless households in Hillingdon remains high and has increased by more than 50% since 2022/23. The unit cost of interim accommodation is rising by more than 30% per year. The rise in homelessness is due to the changing market conditions, the high purchase cost of homes and high rental costs combined with the Borough being a port authority with the associated infrastructure which leads to Hillingdon experiencing a higher relative level of need than many other Boroughs. The competing demands on social housing providers to improve the condition of their existing homes is also re-directing resources away from providing new housing supply.

The lack of affordable housing puts significant pressure on the Council's finances and ability to meet its statutory responsibilities in this area. Insufficient supply of affordable good quality housing in both the private and public sector can lead to a detrimental impact on the health, wellbeing and educational attainment of residents.

Service Strategy

- 1. increase proactive, homeless prevention actions with those evicting, to reduce levels of homeless presentations (reduce by 25 placements per month)
- 2. implement a price cap for all TA nightly charged placements
- 3. secure 100 new leases for use as TA in 2025/26
- 4. increase the supply of private rented accommodation by 25 units (total=349 units in 25/26 for general fund placements)
- 5. increase the supply of social rented homes available to homeless households, to include delivery of 245 new LBH properties in 2025/26.

Targets And RAG

By 31 March 2026, no more than 64 households in nightly charged temporary accommodation (baseline 31/03/25 = 725)	
No more than 50 new nightly charged TA placements per month (baseline = 75 in 2024/25)	
Zero temporary accommodation tenancies above the price cap (baseline = 327 March 2025)	



Risk Description

This risk arises from the increasing demand across Adult Social Care services due to changing demographics in the population, the transition of children into adult social care, and the raised expectations from residents for high quality social care services. This is all within the context of the major changes to the legislative framework including the Care Act, Better Care Fund and Deprivation of Liberty Safeguards. This increase in demand is impacting on the Council’s ability to provide the statutory services within the available resources and funding available.

Service Strategy

- 1. Progress the transformation of the front door, but increasing the capability and presence of third sector providers to support residents before they enter social care
- 2. Submit a fully complete BCF Assurance document within the required timelines
- 3. Implement and monitor the outputs of Intelligent lilli pilot

Targets And RAG

Residents in Home Care (Target <1300)	
Active Services (Target <5150)	
Average Cost of Placements (Target TBC)	

Risk Description

ICT systems becoming unfit to meet the Council's needs, due to insufficient momentum, collaboration or funding to implement the digital transformation programme. This impacts on service delivery, staff morale and governance arrangements due to poor data quality.

Outdated ICT architecture and poor security also increases the risk of ransomware, malware, viruses and external cyber-threats. These can lead to data breaches and potential reputational, operational, and financial damage if attacks to our network are successful and the Council's ICT systems are adversely affected for a significant time-period.

Service Strategy

- 1. Digital and Intelligence Directorate digital transformation programme.

Targets And RAG

Cyber Threats (Target <240)	
Phishing Threats (Target <3500)	

## INTERNAL AUDIT PROGRESS REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Claire Baker, Head of Internal Audit & Risk Assurance
<b>Papers with report</b>	Internal Audit Progress Report
<b>Ward</b>	All

### HEADLINES

The attached Progress Report presents the Audit Committee with a summary of the Internal Audit (IA) work covered since the last Committee meeting. It also provides an opportunity for the Head of Internal Audit to highlight to the Audit Committee any significant issues that they need be aware of that have arisen since the last IA Progress Report.

Further, it enables the Audit Committee to hold the Head of Internal Audit to account on delivery of the IA work plan, and officers to account for managing any risks and control weaknesses identified during the course of IA activity.

### RECOMMENDATIONS:

**That the Audit Committee:**

- 1. Notes the IA Progress since the last Committee meeting**

### SUPPORTING INFORMATION

IA provides an independent assurance and advisory service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon.

### BACKGROUND PAPERS

None

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# INTERNAL AUDIT PROGRESS REPORT

15 August 2025





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The key contacts in connection with this document are:

**Claire Baker**  
Head of Internal Audit  
cbaker@hillingdon.gov.uk

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## 1. INTRODUCTION

### The Role of Internal Audit

Internal Audit (IA) provides an independent assurance and advisory service that underpins good governance, essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account the Global Internal Audit Standards.

### The Purpose of the Internal Audit Progress Report

This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work completed since the last Audit Committee meeting. In addition, it provides an opportunity for the Council's Head of Internal Audit (HIA), to highlight any significant issues which have arisen from IA work.

## 2. SUMMARY OF INTERNAL AUDIT ACTIVITY

Internal Audit have made a good start on the reviews from the 2025/26 IA workplan, despite three members of the team leaving at the beginning of the year. Since the last Audit Committee meeting, **five** reviews were completed to final report stage. These include:

- **Two SUBSTANTIAL** assurance reports: DSG (Safety Valve Plan (Part 2)) and Housing Health & Safety requirements
- **One REASONABLE** assurance report: Capital Programme
- **One ADVISORY** review: Commissioned & Direct Payments
- **One LIMITED** assurance report:

Personalised Emergency Evacuation Plans	<p>Although there is no law requiring Councils to develop and maintain Personalised Emergency Evacuation Plans (PEEPs), following the Grenfell Tower inquiry the Regulatory Reform (Fire safety) Order 2005 encourages building owners to produce PEEPs for residents in Highrise buildings.</p> <p>A review of 43 PEEPs revealed significant gaps in completeness, timeliness, and storage. PEEPs should be stored in Civica, however 20/43 PEEPs were not available at the time of this review and 15/43 were not stored on SharePoint. This is potentially due to the reliance on handwritten forms which then require scanning onto the system.</p> <p>However, the Council has made significant investments in fire containment controls, such as sprinkler and smoke ventilation systems, and therefore a stay-put policy is in place reducing the necessity of PEEPs. Internal Audit also confirmed there is a robust strategy for reducing the risk by preventing residents with vulnerabilities from being placed into Highrise buildings.</p>
---	---

**Six** further reviews are at a draft report stage and should be finalised before the next Audit Committee. For details of these reviews please see *Appendix A*.

Since the last Audit Committee IA has also completed grant claim verification work for the Trading Standards Grant claim and completed three ad-hoc consultancy reviews. For details of the grant claims and ad hoc consultancy reviews please see *Appendix B*.

### Changes to the Internal Audit Workplan

Since the last Audit Committee the following three reviews have been removed from the plan:

Cabinet Engagement	<p>This review was included in the IA plan to test compliance and awareness of the Scheme of Delegation and assess how Cabinet Members are engaged in key operational matters. It has been removed from the plan to avoid duplicating the external review being commissioned as part of the third workstream of the Governance Review Improvement Plan.</p>
--------------------	---

Oracle Project	This review was scheduled to assess the implementation of the Oracle Project and how learning from the project is captured. This has been removed from the plan due to the ongoing Finance Modernisation Programme and external assurance from Grant Thornton.
Transformation and Change Governance	This review was removed from the plan to avoid duplicating the Savings Programme review. Due to the Council's financial position, the transformation team has prioritised work to support income generation and savings projects. Therefore, there is significant overlap between the savings programme and transformation projects.

Since the last Audit Committee meeting the following three reviews were also added to the plan:

Housing Allocations	This review will consider the compliance with the Council's Housing Allocation Policy and procedures and was added to the plan following queries raised through the Counter Fraud Team.
Health & Safety in Schools	This review was added to the plan at the request of the Director for Education. It will be a review of the health and safety arrangements in place for a sample of schools.
Effectiveness of Corporate Governance	These days were added to the IA plan to follow up on the implementation of the Governance Review Improvement Plan and the wider governance arrangements.

### 3. FOLLOW UP OF MANAGEMENT ACTIONS

The table in *Appendix C* outlines the agreed management actions followed up since the last Audit Committee meeting. Actions are marked as verified once IA have received evidence to demonstrate the action has been fully implemented. Once all actions from an individual report are verified the report is marked closed and will be removed from the tracker.

In total 73/102 (72%) management actions due to have been implemented were marked as verified or complete. 22 were marked as overdue as they have not been completed by their agreed implementation date, and we are waiting on responses for eight. New implementation dates will be set for these actions, and they will be followed up again until they are completed.

### 4. FORWARD LOOK

Three members of the IA team left at the beginning of the year, one on maternity leave and two for promotions elsewhere. A new level 4 Apprentice has been appointed to replace one of the Internal Auditor posts, and a new Assistant Manager is currently being recruited. Over the next quarter the HIA will review the capacity, skills and experience within the team and re-allocate reviews where necessary.

The Internal Audit team are also finalising their self-assessment against the Global Internal Audit Standards and wider quality improvement action plan, which will be presented to the next Audit Committee meeting.

IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact. There are no other matters that the HIA needs to bring to the attention of the CMT and Audit Committee at this time.

**APPENDIX A: IA REVIEWS**

IA Ref.	IA Review Area	Current Status	Assurance Level	Actions & Risk Rating			
				H	M	L	O
P2	Capital Programme	Final Report Issued 19 May 2025	REASONABLE	-	7	-	-
S8	PEEPs in Highrise Buildings	Final Report Issued 18 June 2025	LIMITED	-	3	-	-
A01	Commissioned & Direct Payments	Final Report Issued 13 June 2025	ADVISORY	-	-	-	-
C1	DSG (Safety Valve Plan (Part 2))	Final Report Issued 19 June 2025	SUBSTANTIAL	-	1	-	-
H2	Housing H&S requirements	Final Report Issued 3 June 2025	SUBSTANTIAL	-	-	1	-
H1	Data Quality H&C	Draft Report Issued	TBC Once Finalised				
X1	Security (Documentation Security)	Draft Report Issued	TBC Once Finalised				
H1	Community Safety	Draft Report Issued	TBC Once Finalised				
P5	Highways	Draft Report Issued	TBC Once Finalised				
P2	Corporate Estate	Draft Report Issued	TBC Once Finalised				
C1	School's pre-employment checks	Draft Report Issued	TBC Once Finalised				
S1	Agency Expenditure & Checks	Under Review	TBC Once Finalised				
P3	Greenspaces	Fieldwork	TBC Once Finalised				
X2	Savings Programme (Target Operating Model)	Fieldwork	TBC Once Finalised				
F2	Income Generation	Fieldwork	TBC Once Finalised				
X3	Budget delivery	Fieldwork	TBC Once Finalised				
C2	Data Quality CSC	Fieldwork	TBC Once Finalised				
F3	Income Generation: Business rates	Fieldwork	TBC Once Finalised				
X1	Business and Financial Plans	Fieldwork	TBC Once Finalised				
H7	Housing Allocations	Planning	TBC Once Finalised				
X4	Corporate Policies and Procedures	Planning	TBC Once Finalised				

IA = Internal Audit

H = High Risk

M = Medium Risk

L = Low Risk

O = Observation

IA Ref.	IA Review Area	Current Status	Assurance Level	Actions & Risk Rating			
				H	M	L	O
P7	HRA Acquisitions	Planning	TBC Once Finalised				
P6	Planning	Planning	TBC Once Finalised				
H3	Temporary Accommodation Action Plan	Planning	TBC Once Finalised				
C4	Housing and Social Care Collaboration		TBC Once Finalised				
C3	Multiagency working		TBC Once Finalised				
C6	Health and Safety in Schools	Planning	TBC Once Finalised				
A2	Data Quality - ASC		TBC Once Finalised				
H4	B&B & HRA Arrears	Planning	TBC Once Finalised				
A1	Social Care Charges		TBC Once Finalised				
S3	Emergency Planning		TBC Once Finalised				
F4	Key Financial Controls		TBC Once Finalised				
S4	HR information		TBC Once Finalised				
P1	Project Management Civic centre project	Planning	TBC Once Finalised				
X7	Effectiveness of the Corporate Governance		TBC Once Finalised				
P4	Data Quality Place	Planning	TBC Once Finalised				
H6	Anti-Social Behaviour		TBC Once Finalised				
S6	Data Quality Corporate Services		TBC Once Finalised				
F5	Procurement		TBC Once Finalised				
X6	Contract Management		TBC Once Finalised				
H5	Tenant Engagement		TBC Once Finalised				
S7	Integrated front door		TBC Once Finalised				
Total Number of IA Management Actions Raised				0	11	1	0

IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation
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APPENDIX B: IA AD-HOC CONSULTANCY & GRANT CLAIM VERIFICATION REVIEWS

IA Ref.	IA Review Area	Current Status
Z01	Housing Housemark return	Completed
Z02	Grievance Investigation	Completed
Z03	Internal Review with Counter Fraud	Completed
Z04	Adult Mental Health Service	Finalising
Z05	Debt Project	Ongoing
G01	Trading Standards Grant Verification	Completed

## APPENDIX C: IA FOLLOW UP OF MANAGEMENT ACTIONS

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Ref	Review	Number of Actions		Current Status of Actions:										Comments
				Verified		Completed		Overdue		Unknown		Not Due		
		H	M	H	M	H	M	H	M	H	M	H	M	
20.A03	Cemeteries: Bereavement Service and Ground Maintenance	2	4	-	-	-	-	2	4	-	-	-	-	New Date TBC
20.A06	Estates - Lease Management	1	1	1	1	-	-	-	-	-	-	-	-	CLOSED
20.A31	Exclusions or Education Cases for Vulnerable Young People	-	4	-	3	-	-	-	1	-	-	-	-	New Date: Sept 2025
22.A42	Fraud prevention controls in tendering & contacts	-	4	-	3	-	-	-	-	-	-	-	1	Due Dec 2025
22.A45	Adult social care referrals and assessment	-	2	-	1	-	-	-	1	-	-	-	-	New Date: Oct 2025
22.C59	Care Leavers Allowances	1	1	-	-	-	-	-	-	1	1	-	-	Due April 2025
22.P52	Trading Standards POCA	1	2	1	2	-	-	-	-	-	-	-	-	CLOSED
23.A04	Contract Management	-	3	-	3	-	-	-	-	-	-	-	-	CLOSED
23.C04	Neglect (Children's)	-	2	-	-	-	2	-	-	-	-	-	-	
23.F01	Risk Management	1	5	1	5	-	-	-	-	-	-	-	1	CLOSED
23.F04	Oracle Programme	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
23.P02	Capital Programme	1	2	1	2	-	-	-	-	-	-	-	-	CLOSED
23.P03	Parking Service Income	-	3	-	3	-	-	-	-	-	-	-	-	CLOSED
23.P05	Climate Action	1	1	-	-	-	-	-	-	1	1	-	-	Due March 2025
23.P06	Facilities Management	-	3	-	-	-	-	-	-	-	-	-	3	Due October 2025
23.S01	IT Application Review	-	2	-	1	-	1	-	-	-	-	-	-	
23.S02	Workforce Planning, Establishment & Recruitment	2	2	2	1	-	-	-	1	-	-	-	-	New Date: Dec 2025
23.S12	Social Housing Applications	1	1	1	1	-	-	-	-	-	-	-	-	CLOSED
23.P11	Building Control Action Plan	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
23.C06	Thematic Review of SEN Funding in Schools	-	3	-	3	-	-	-	-	-	-	-	-	CLOSED
23.F07	Fleet Damage	-	4	-	2	-	-	-	-	-	2	-	-	Due July 2025
23.S13	Pool Cars	2	3	1	2	1	1	-	-	-	-	-	-	
23.C03	SEND Data Quality	4	1	-	-	2	1	2	-	-	-	-	-	New Date: Dec 2025
23.D02	Performance Information	-	3	-	-	-	-	-	-	-	-	-	3	Due Dec 2025

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IA = Internal Audit

H = High Risk

M = Medium Risk

L = Low Risk

O = Observation

23.S14	Uninspected B&Bs	2	3	2	-	-	3	-	-	-	-	-	-	
24.S15	Overtime, Expenses & Mileage Payments	5	2	4	-	-	-	1	2	-	-	-	-	New Date: Dec 2025
24.S17	Section 202 & 204 Appeals review	-	3	-	1	-	-	-	2	-	-	-	-	New Date: Sept 2025
24.P4	Asset Management	2	2	-	-	-	2	2	-	-	-	-	-	New Date: Feb 2026
23-S09	Personal Appraisals	-	3	-	2	-	-	-	1	-	-	-	-	New Date: Dec 2025
24-S03	Pre-employment checks	-	3	-	-	-	-	-	-	-	-	-	3	Due August 2025
24-S05	Decent Homes Standards	-	2	-	-	-	1	-	-	-	-	-	1	Due September 2025
24-P3	Leasehold Management and Service Charges	-	2	-	-	-	-	-	-	-	2	-	-	Due April 2025
24-D05	Hillingdon First Card	-	4	-	-	-	-	-	-	-	-	-	4	Due August 2025
24.S02	Induction and mandatory training	1	2	-	-	-	-	1	2	-	-	-	-	New Date: Dec 2025
24-F3	Contract Management Oversight	3	1	-	-	-	-	-	-	-	-	3	1	Due January 2026
24-S18	B&B Rent Arrears	3	2	-	-	-	-	-	-	-	-	3	2	Due November 2025
24-S13	HRA Rent Arrears	1	3	-	-	-	-	-	-	-	-	1	3	Due November 2025
24-C03	Schools Admissions	1	4	-	-	-	-	-	-	-	-	1	4	Due August 2025
24-C02	Schools Finances	2	4	-	-	-	-	-	-	-	-	2	4	Due August 2025
24-F04	Debtors	-	3	-	-	-	-	-	-	-	-	-	3	Due April 2026
24-F06	Budget Monitoring	-	6	-	-	-	-	-	-	-	-	-	6	Due April 2026
24-F02	Key Financial Controls (Cash Handling)	1	2	-	-	-	-	-	-	-	-	1	2	Due December 2025
24-P02	Capital Programme	-	7	-	7	-	-	-	-	-	-	-	-	CLOSED
	<b>SUBTOTAL</b>	38	116	14	45	3	11	8	14	2	6	11	41	
	<b>TOTAL</b>	<b>154</b>		<b>59</b>		<b>14</b>		<b>22</b>		<b>8</b>		<b>52</b>		

## APPENDIX D: INTERNAL AUDIT KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2025/26 are set out below:

KPI	Performance Measure	Target	Current Status
KPI 1	Planning to be initiated at least six weeks before the planned fieldwork start date to allow the relevant service to prepare documents and ensure staff availability.	80%	89%
KPI 2	The final terms of reference for the review to be agreed before the planned fieldwork start date.	80%	85%
KPI 3	Fieldwork to be completed within two months of the opening meeting, unless agreed with the relevant Review Sponsor.	80%	86%
KPI 4	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	100%
KPI 5	Annual IA Plan delivered to draft report stage by 31st March, unless agreed with Review Sponsor	90%	26%
KPI 6	Annual IA Plan delivered to final report stage by 31st March, unless agreed with Review Sponsor	80%	12%
KPI 7	Draft management responses to be received two weeks after the draft report is issued	80%	86%
KPI 8	Review Sponsor to approve the management responses two weeks after the updated report is issued.	80%	80%
KPI 9	HIGH and MEDIUM risk IA recommendations completed within the original timescale	80%	72%
KPI 10	IA folders with fully completed compliance checklists identified through spot checks	90%	TBC

**Key for future reporting on actual KPI performance:**

- **RED** = currently this performance target is not being met (significantly [>5%] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [<5%] of target performance).
- **GREEN** = currently meeting or exceeding this performance target

**APPENDIX E: ASSURANCE LEVELS AND ACTION RISK RATINGS**

ASSURANCE LEVEL	DEFINITION
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> over the management of the key risks to the Council objectives. The control environment is robust with no major weaknesses in design or operation. There is <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> over the management of the key risks to the Council objectives. The control environment is in need of some improvement in either design or operation. There remains <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation and the level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation leading to a substantial variance between the risk appetite and the residual risk to objectives. There is a <b>high risk</b> that objectives will not be achieved.

FINDING RATING	DEFINITION
<b>HIGH</b>	The finding relates to a <b>significant threat</b> that could impact the Council's corporate objectives. i.e. a high number of key business risks remain unidentified and/or unmanaged as control systems do not exist and/or do not operate effectively. <b>The risk requires senior management attention as soon as possible.</b>
<b>MEDIUM</b>	The finding relates to a <b>potentially significant threat</b> that could impact on either corporate or operational objectives. This includes weaknesses in the control systems that are not considered serious but may have some impact on the service. <b>The risk requires management attention</b> and should be addressed within six months to ensure full compliance with expected controls.
<b>LOW</b>	The finding relates to a <b>minor threat</b> that impacts on operational objectives, this includes non-compliance with best practice or local procedures, and minimal impacts on the Service's reputation or budget. <b>The risk may be tolerable in the medium term</b> but management should take action within the next year to improve the control framework to ensure full compliance with expected controls.
<b>OBSERVATION</b>	This includes any items Internal Audit would like to highlight that may not directly relate to a finding. This includes notable performance and innovative controls that <b>should be shared with others</b> , potential concerns raised during the audit that are <b>outside the scope of the review</b> and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.



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## 2025/26 QUARTER 1 COUNTER FRAUD PROGRESS REPORT

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Alex Brown, Head of Counter Fraud
<b>Papers with report</b>	2025/26 Quarter 1 Counter Fraud Progress Report
<b>Ward</b>	All

### HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2025/26 Quarter 1 and assurance in this respect. It also provides an opportunity for the Head of Counter Fraud to highlight to the Audit Committee any significant Counter Fraud issues that have arisen which they need to be aware of. Further, the report enables the Audit Committee to hold the Head of Counter Fraud to account on delivery of the Counter Fraud Plan and facilitates in holding management to account for managing issues identified during the course of the Counter Fraud Team activity.

### RECOMMENDATIONS:

That the Audit Committee:

1. Notes the Counter Fraud Progress Report for 2025/26 Quarter 1; and
2. Suggests any comments/amendments.

### SUPPORTING INFORMATION

The Counter Fraud Team supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the team underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

### BACKGROUND PAPERS

The Counter Fraud Team holds various background research documents in relation to the Counter Fraud Plan.

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# COUNTER FRAUD

## Report to Audit Committee:

### 2025/26 Quarter 1

30<sup>th</sup> June 2025



## Contents

The Counter Fraud key contacts in connection with this report are:

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## 1. INTRODUCTION

### The Role of the Counter Fraud Team

- 1.1 The Counter Fraud Team (CFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.
- 1.2 As well as counter fraud activity, there is also a range of preventative work that the team is responsible for carrying out. This includes fraud awareness training and ensuring the Council have up-to-date and appropriate investigation policies and procedures.

### The Purpose of the Counter Fraud Progress Report

- 1.3 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 1 (Q1) period (1<sup>st</sup> April to 30<sup>th</sup> June 2025). In addition, it provides an opportunity for the Head of Counter Fraud (HCF) to highlight any significant issues arising from the counter fraud work in Q1.
- 1.4 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the CFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategy 2025 to 2028), which provides an opportunity for the HCF to be held to account in this respect.

## 2. EXECUTIVE SUMMARY

- 2.1 As in recent years the economic environment coupled with local Government Financial challenges has created a perfect storm for fraud to thrive. To combat this, Hillingdon Council has continued to invest and support its Counter Fraud Service, so that it is strategically placed across areas of high risk. **This approach has continued to deliver positive financial savings in 2025/26 with Q1 yielding c£4.1m against a target of £8.8m.**
- 2.2 The majority of the CFT's work in Q1 has been undertaken in the area of Housing in particular reactive investigative work due to tenancy fraud. Currently the team are investigating 129 cases of Housing fraud which is consistent with previous quarters. In addition to these ongoing cases a large number of investigations have concluded in Q1, **leading to the team recovering 27 properties at a notional saving of c£1.9m.** The high number of properties recovered in the first quarter not only provides much needed Housing stock to those in need but demonstrates the CFT are on track to deliver a significant amount of property recovery in line with previous years.
- 2.3 During Q1 the CFT has continued to **visit emergency accommodation** provided by the Council to residents who have approached as homeless. During visits, **the CFT uncovered 5 clients were not occupying their emergency accommodation, which led to accommodation closures on all 5 cases saving c£153k.** This work is vital to ensure the Council has enough accommodation to support those in need during a time when demand is increasing. A further 9 cases are under investigation worth c£242k.
- 2.4 As in previous financial years the team will continue to prioritise its work in identifying Businesses for rates that are unknown to the Council. This work involves in house proactive activity alongside data from our external suppliers. **In Q1 the CFT have identified 2 businesses that were undeclared for rates, billings have now been sent out totalling c£1.6m.**

- 2.5 The CFT are currently involved in a Council wide Debt & Income project. The team have been piloting debt recovery visits in the area of Adult Social Care Debt. Though this is not fraud related the Council is utilising the CFT skill set in relation to conversation management, lines of enquires and negotiation tactics to increase debt recovery. **This approach has led to the collection of c£19k of one-off lump sum payments and 15 payment plans set up that will recover a further c£63k over the next 12 months.** This work will continue, and wider discussions are currently ongoing to introduce other areas of debt to the visiting programme.
- 2.6 As part of the CFT's transformation work that has been mentioned in previous progress reports, the management team are working with colleagues in Digital to enhance processes through the use of technology and the digitalisation of processes. The services meet regularly to push this project forward and have now mapped out existing processes in some areas ready for change. In addition, new technology has been trialled so officers can be fully mobile with access to all systems whilst in the field.

### 3. COUNTER FRAUD ACTIVITY IN QUARTER 1

#### 3.1 Housing Fraud

- 3.1.1 The CFT has continued its success in property recovery from previous years in Q1. **This has led to a consistently high number of properties recovered from the previous financial year, with the CFT returning 27 properties to Housing** resulting in a notional saving of c£1.9m or actual budget savings of c£725k. Q1 has seen a large part of the CFT's resources deployed in Housing with the team working across multiple fraud risks and continuing with investigations of cases consisting of non-occupation, sub-let, wrongful succession and deceased.
- 3.1.2 The Key Performance Indicator (KPI) 4 (refer to **Table 5** in **Appendix A**) requires the CFT to recover 30% of properties associated with tenancy fraud referrals. This quarter **the CFT has achieved 67% of tenancy fraud referrals resulting in property recovery.** As per **Table 1** below, the case type of property recovery shows that non-occupation is still the highest area of tenancy fraud risk.

**Table 1 ~ Housing Tenancy Fraud Cases**

Case Type	Q1*	£k/value**
Abandonment	0	£0
Deceased	13	£910k
NFI Fraud Hub	2	£140k
Non-Occupation	8	£560k
Other	1	£70
Sub-Let	1	£70k
Wrongful Succession	2	£140k
<b>Total Properties Recovered</b>	<b>27</b>	<b>£1,890k</b>

\* As at end of Q1 (30<sup>th</sup> June 2025).

\*\* Tenancy Fraud Forum valuation.

- 3.1.3 Tenancy fraud remains the highest fraud risk faced by the Council, with the CFT currently investigating **129 cases relating to tenancy fraud.** The team have been granted 7 possession orders following legal proceedings, which are awaiting enforcement action, and a further **41 criminal and civil cases are currently with our legal team.**
- 3.1.4 In Q1 the team have also continued with proactively identifying cases of unknown deceased tenants with the assistance of the **NFI Fraud Hub.** The details of this work can be found in subsection 3.6 of this report. This work, though not classed as fraud, has continued to contribute to the number of properties recovered.

- 3.1.5 The Council's **Key Amnesty campaign** was launched in Q1 and ran for 6 weeks, designed to highlight to residents that **social housing fraud is a crime**, and any cases will be investigated by the Council. The amnesty gave anyone mis-using their council property, an opportunity to **surrender their tenancy** within a set period of time with no further legal action being taken. To raise awareness of the amnesty, an extensive communications campaign was run across the Council's social media platforms, Hillingdon People and Council website. Posters were put up in libraries, noticeboards across the borough and in public areas of the Civic Centre. The campaign was also picked up by other counter fraud professionals on their Linked-In accounts and other social media platforms. The campaign resulted in **one property being recovered, alongside an increase of housing fraud referrals by 78%** during the amnesty period.
- 3.1.6 In Q1, the CFT has continued with a proactive project conducting residential checks on the bungalow stock within the borough. The purpose of the project was to highlight potential cases of non-occupation or sub-letting. In total **353 properties have been visited** so far which has resulted in **one bungalow recovered due to non-occupation** and additional **savings of c£2k for incorrect claims of council tax discounts**. Additional outcomes will be reported in Q2 based on a further 3 cases having been highlighted for potential non-occupation and 22 cases are still undergoing further enquiries.
- 3.1.7 The CFT have continued to proactively look at internally sourced data which can highlight discrepancies and result in property recovery or other financial savings such as council tax discounts and exemptions. These **data projects include key fob usage** in some of our low- and high-rise buildings, highlighting concerns of non-occupation, and **council tax exemptions against social housing stock**. In Q1 the CFT **have recovered 12 properties from analysing data** and acting proactively to ensure the housing stock is utilised efficiently.
- 3.1.8 The ongoing pressures in the current economic climate continue to cause an increase in demand for housing and the need for **Bed and Breakfast (B&B) emergency accommodation**. Therefore, for 2025/26, the CFT will continue its rolling proactive project conducting residency checks to all emergency accommodation placements, to highlight any instances of non-occupation or subletting. In Q1 the CFT has **closed 5 emergency accommodation units due to non-occupation, resulting in savings of c£153k**. A further **9 cases have been opened** highlighting concerns of suspected non-occupation.
- 3.1.9 The CFT carries out verification checks on all Right to Buy (RTB) applications submitted to the Council, to provide assurance that those who apply are eligible for the significant discount and that the funds used for the purchase abide by money laundering regulations. In Q1 the CFT has cancelled one RTB application saving c£98k and have **8 cases under investigation for suspicion of sub-letting and non-occupation**, with 3 cases referred to our Legal department to instigate criminal proceedings based on fraud offences. The CFT has also closed two RTB applications at verification stage due to the failure to provide financial information.
- 3.1.10 As part of the commitment to a risk-based approach the verification of housing allocations has been returned to the service area to continue as a business as usual function as the previous work carried out by the CFT has significantly reduced the risk in this area. The Key Performance Indicator (KPI) 2(a) in previous reports has been retired as a result of this change.

### 3.2 Revenues Fraud & Inspections

- 3.2.1 In the area of Revenues, the CFT has continued to maintain a high level of performance and again exceeded their KPI target (refer to **Table 5** at **Appendix A**). In Q1, as detailed in **Table 3** below, the CFT has **conducted 1,841 inspections, with 1,836 (99%) visited within the 10-day KPI target**.

**Table 3 ~ Revenues Inspections Performance 2025/26**

Revenues Inspections	Q1*
Total number of inspections completed	1,841
Percentage within 10 day target	99%

\*As at end of Q1 (30<sup>th</sup> June 2025).

- 3.2.2 During Q1 the CFT has identified a further **22 previously unlisted properties** made up of 'Beds in Sheds'. As a result, an additional **c£29k of loss prevention savings** has been identified following the issue of revised Council Tax bills to the liable parties. Throughout the financial year the CFT will continue to work with other Council departments to identify beds in sheds and take appropriate action.
- 3.2.3 During Q1 the CFT have continued the programme of internal Revenues Maximisation and carried out a day pro-active monitoring to identify unlisted buildings and changes to the use of land. This has **identified two previously unlisted business premises with additional billing in Q1 issued to businesses to the value of c£1.6m**.

### 3.3 Social Care

- 3.3.1 In Q1 CFT officers have been conducting a pilot exercise to recover outstanding social care debt by visiting residents to establish their means to pay and make arrangements for outstanding debt to be recovered. This groundbreaking work has resulted in **initial payments of £19,768 being made during Q1 with a further 15 payments plans being established which will result in additional c£63k being recovered over the next 12 months**.
- 3.3.2 With preventive controls and reactive processes in place across fraud risks within Social Care, Q1 marks a successful quarter for the team with **c£61k in loss prevention savings identified**. These positive outcomes have stemmed from a range of workstreams including the Financial Assessment verification process, tracing service users and the verification of residents receiving Section 17 support.
- 3.3.3 In line with the CFT's risk-based loss prevention work within Financial Assessments has continued throughout Q1, with the team conducting **160 financial assessment verifications, 8 of which are undergoing further checks**. The verification process is designed to identify anomalies, such as hidden capital or assets prior to financial support being administered and to provide assurance that only eligible applicants are provided support.
- 3.3.4 Section 17 of the Children's Act 1989 places a duty on the Council to safeguard and promote the welfare of children in need. Section 17 support offers a range of services that includes providing accommodation and/or financial assistance to eligible applicants. The CFT undertake verification checks for all Section 17 applicants who approach Social Care. **Table 4** over the page, illustrates the outcomes derived from the preventive measures in place that ensure services provided are only accessed by those who meet the eligibility criteria.

**Table 4 ~ Section 17 Verification Cases 2025/26**

Section 17 Cases	Q1
Total number of cases reviewed	14
Total number verified as accurate	10
Total number of cases closed	1
Total number of cases under further checks	3
<b>Loss Prevention Savings</b>	<b>£3544</b>

\* As at end of Q1 (30th June 2025).

- 3.3.5 In addition to verification checks the CFT also conduct a proactive Section 17 project, with counter fraud officers deployed to highlight cases of sub-letting and non-occupation of Social Care accommodation. With placements provided both inside and outside of the borough, counter fraud officers have begun conducting unannounced visits to all 88 service users, with outcomes expected to be reported in Q2.

### 3.4 Blue Badge

- 3.4.1 Cases from previously reported Blue Badge operations and referrals from residents have continued to progress during Q1 with the successful **prosecution of 5 Blue Badge cases**. The evidence of these criminal cases was heard at Ealing Magistrates Court with a **total of £1,338 in prosecution costs awarded to the Council and £1,240 in fines issued to offenders**. A further 7 cases are due to be heard in court, with outcomes expected to be reported in Q2.

### 3.5 Onsite Immigration Official

- 3.5.1 Q1 marked a successful quarter in the area of immigration with **£10,265 in loss prevention savings identified**. These savings can be contributed to the team's proactive approach within in Social Care by highlighting a change in **3 service users immigration status** and the collaborative steps taken by CFT and the Children's Resources Finance Team to support each service user to access public funds. These changes in immigration status relieves the Council from financially supporting each service user and encourages independence. Further savings have been identified and re awaiting feedback from service areas. These outcomes will be reported in Q2.

### 3.6 London Counter Fraud Hub

- 3.6.1 The CFT is recognised as a leading member of the London Counter Fraud Hub. The hub is designed to bring London Boroughs together, sharing data to identify fraud, loss or error. This innovative approach will also use the power of data to uncover cross borough frauds.
- 3.6.2 The unique capabilities of the LCFH are now embedded in the CFT and this is producing referrals automatically every two weeks identifying cases where the Council may not be aware of tenants passing away. This has maximised loss prevention by ensuring that cases are identified at an early stage. A total of **two council properties** have been recovered and returned to use as a result of information provided by the LCFH during Q1.

### 3.7 National Fraud Initiative

- 3.7.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office and conducted every 2 years. The NFI matches data from over 1,300 organisations, including councils, the Police, hospitals and almost 100 private companies to identify potential fraud and error.



- 3.7.2 The CFT have dedicated significant resource in to analysing the Data provided by the 2024/25 National Fraud Initiative exercise which has led to savings in a variety of work streams.
- 3.7.3 Information received from the NFI has led to **the closure of 40 Housing Register applications** where applicants had failed to declare changes in their circumstances and were no longer entitled to seek housing assistance from the council. A further 62 cases are with the Housing Team to review.
- 3.7.4 Reviewing cases where the NFI had identified changes in the income and capital of recipients of Council Tax Reduction (CTR) has led to **overpayments of c£35k which will be added to revised Council Tax Billing**.
- 3.7.5 The Resident Hub have assisted with processing NFI records which indicated that the Council had not been notified when blue badge holders had passed away leading to **181 blue badges being cancelled** removing them from circulation and helping to prevent misuse of the scheme.
- 3.7.6 The NFI identified 4 cases of polygamous employment where Council employees were simultaneously working for more than one authority. Investigations by the CFT have led to **2 employees resigning from employment with Hillingdon, one being issued with a final written warning and one further employee being dismissed for gross misconduct**. One case remains under investigation with a view to criminal proceedings being issued.

### 3.8 Other Counter Fraud Activities

- 3.8.1 As part of the CFT's strategic objectives, the team has been embedding and promoting a counter fraud culture throughout the Council, by regularly undertaking fraud awareness sessions to service areas. These sessions give teams the tools to identify, and report suspected fraud or loss. During Q1 the CFT conducted **fraud awareness sessions** with Housing staff.
- 3.8.2 Following the CFT being shortlisted at the annual Counter Fraud Awards in Q4 last year, the CFT have continued to be recognised as a leading authority in combatting fraud. During Q1 a Counter Fraud Manager from the CFT was invited to present at a meeting of the South West London Fraud Partnership and as a main speaker at the Tenancy Fraud Forum annual conference to share best practice in tackling temporary accommodation fraud. This has resulted in a number of other authorities contacting the CFT to discuss the approach to this type of work.
- 3.8.3 Also during Q1 the CFT were invited to address the Cabinet Office department responsible for the operation of the NFI and NFI FraudHub systems to provide feedback on the current use of the systems and offer input into future developments.

## 4. COUNTER FRAUD PERFORMANCE IN Q1

- 4.1 Attached at **Appendix A** is **Table 5** which sets out the Q1 performance by the CFT against the nine KPIs. Also attached at **Appendix B** is **Table 6** which provides an overview of the financial performance of the team in Q1 within each of the main areas of counter fraud activity. The CFT's financial performance should be considered against a target of £8.8m for 2025/26.

- 4.2 The CFT has achieved a consistent level of performance across KPI's throughout the quarter. The details of this are that **9 out of 9 KPI's are above targeted performance**. The management team are pleased that all KPI's have been met and will be working closely with the team to ensure this level of performance is sustained.

## 5. FORWARD LOOK

- 5.1 As part of the CFT's transformation programme the management will be designing a Power BI dashboard to capture all fraud activity, outcomes, KPI's and ROI. The build phase will take place over Q2 and Q3 with a view that it will replace the current progress reports to committee.
- 5.2 With data at the centre of CFT activity, further data matching work to proactively detect fraud will take place in Q2. The team plans to undertake further Housing data matching and start data matching in the area of Social Care once the Legislative Reform Order has passed through parliament.
- 5.3 As part of the CFT's fraud awareness package officers will refresh the current e-learning module. The module will cover subjects including fraud, money laundering, bribery and reporting. The CFT will then look to release the new module as part of international fraud awareness week in November.
- 5.4 The CFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during this quarter. There are no other counter fraud matters that the HCF needs to bring to the attention of CMT or the Audit Committee at this time.

**Alex Brown** APCIP  
Head of Counter Fraud  
30<sup>th</sup> June 2025

**APPENDIX A: Table 5 - CFT KPIs and Actual Performance**

CFT KPIs	Target	Q1*	25/26*	24/25
1. Percentage of fraud referrals risk assessed within 3 working days	95%	100%	100%	99%
2. Verification work timescales for completion:				
a. Right to Buy case completion within 28 working days	95%	100%	100%	98%
b. Financial Assessments completion within 7 working days	95%	100%	100%	100%
c. Section 17 reviews completion within 7 working days	95%	93%	93%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	100%	100%
4. Tenancy fraud referrals received resulting in property recovery	30%	67%	67%	71%
5. Investigations resulting in loss prevention/financial saving outcome	40%	36%	36%	47%
6. Revenue inspections completed within 10 working days of referral date	95%	99%	99%	99%

\* As at end of Q1 (30<sup>th</sup> June 2025).

**APPENDIX B: Table 6 - CFT Quarter 1 2025/26 Financial Performance**

Work Area	Description	Quarter 1*	Quarter 2	Quarter 3	Quarter 4	2025/26*
<b>Housing</b>	Right to Buy discounts	£98,800	£0	£0	£0	<b>£98,800</b>
	Property Recovery (notional savings)	£1,890,000	£0	£0	£0	<b>£1,890,000</b>
	Other savings/loss prevention	£233,404	£0	£0	£0	<b>£233,404</b>
<b>Social Care</b>	Section 17 and UASC**	£3,544	£0	£0	£0	<b>£3,544</b>
	Financial Assessments	£11,295	£0	£0	£0	<b>£11,295</b>
	Direct Payments	£0	£0	£0	£0	<b>£0</b>
	Other (Including Debt Visits)	£129,830	£0	£0	£0	<b>£129,830</b>
<b>Revenues</b>	Single Person Discount	£7,307	£0	£0	£0	<b>£7,307</b>
	Council Tax Reduction & arrears	£37,323	£0	£0	£0	<b>£37,323</b>
	Unlisted Buildings	£29,366	£0	£0	£0	<b>£39,366</b>
	Housing Benefit Overpayments	£1,086	£0	£0	£0	<b>£1,086</b>
	NNDR	£1,639,354	£0	£0	£0	<b>£1,639,354</b>
<b>Blue Badge</b>	Simple Caution & Financial Penalty	£2,578	£0	£0	£0	<b>£2,578</b>
<b>Immigration Officer</b>	Housing Homelessness Applications**	£0	£0	£0	£0	<b>£0</b>
	Social Care Savings	£10,265	£0	£0	£0	<b>£10,265</b>
<b>Totals</b>	Loss Prevention Savings	£403,774	£0	£0	£0	<b>£403,774</b>
	Notional Savings	£3,246,832	£0	£0	£0	<b>£3,246,832</b>
	Cashable Savings	£452,271	£0	£0	£0	<b>£452,271</b>
	Costs awarded and penalties	£2,578	£0	£0	£0	<b>£2,578</b>
	<b>Total</b>	<b>£4,105,455</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£4,105,455</b>

\* As at end of Q1 (30<sup>th</sup> June 2025).

\*\* Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team.

## APPENDIX C - Glossary of Terms

**Beds in Sheds:** 'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties being utilised without the awareness of the Council or the Valuation Office Agency (VOA).

**Blue Badge:** A Blue Badge provides parking concessions and helps people with **non-visible and visible disabilities or health conditions** park closer to their destination. The Blue Badge enables holders to park in designated disabled person's parking bays either on the public highway or privately owned car parks. In addition, badge holders can park on single or double yellow lines for up to 3 hours.

**Direct Payments:** The Council are responsible for administering direct payments to service users who have been assessed as needing care and support services. The payments are made to allow applicants to access care to meet their social care needs, such as support with living tasks and social activities.

**Disabled Facility Grants:** The council offers a range of financial support schemes for people with disabilities, such as the Disabled Facilities Grant (DFG). The DFG is a means tested scheme that allows eligible applicants to receive financial support to make adaptations to their home, if they, or someone living at the property is disabled.

**Financial Assessments:** The Council is under a financial and legal obligation to carry out this means tested assessment for each service user. The Financial Assessment (FA) identifies whether the applicant(s) is eligible to receive funding towards their care costs.

**Fraud Hub:** Utilising the existing Cabinet Office infrastructure and systems, most London based local authorities have agreed to upload internally held data sets for proactive data matching exercises. These regularly agreed upon exercises will lead to the identification of possible fraud, loss or error.

**National Fraud Initiative:** The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Government Cabinet Office and conducted every 2 years. There is also an annual review of claimants in receipt of Single Persons discount data that is matched against the Electoral Roll data. The NFI matches data from over 1,200 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error.

**New Homes Bonus:** The New Homes Bonus (NHB) is a grant that is paid by central government to incentivise local housing growth.

**Onsite Immigration Enforcement Official:** The Onsite Immigration Enforcement Official (OSIO) provides enhanced access to Home Office data for the purpose of assessing cases involving immigration issues and for assisting in a range of counter fraud work.

**Right to Buy:** The Right to Buy (RTB) process is a statutory scheme whereby a tenant(s) can apply to purchase their property at a significant discount from its market value. There are strict conditions that must be met by the applicant(s) if they are to qualify for the discount.

**Revenue Maximisation:** The use of internally held data and the utilisation of external data partners to identify previously unlisted commercial and domestic properties, along with identifying commercial properties that have undertaken modifications or improvements that would result in the revaluation of its Rateable Value (RV). Commercial entities are under no obligation to inform Council Tax as to when they have started trading or if their RV needs to be recalculated. The Council will only retain 15% of the identified rates.



**Section 17:** The CFT provides assurance and mitigate the risk of fraud within Children's Social Care, in particular the allocation of emergency accommodation provided under Section 17 of the Children's Act 1989. The verification process seeks to validate a family's reason for approach as well as their financial circumstances, as applicants claim to be destitute and requiring accommodation and or financial support. The CFT conducts verification checks on all applicants approaching the Council.

**Small business Rates Relief:** The Small Business Rates Relief (SBRR) scheme is designed to reduce the amount of business rates payable by small businesses. This reduction is available to ratepayers who occupy a property with a rateable value of no more than £15,000.

**Tenancy Fraud Forum Valuation:** As of the 2022/23 financial year, the CFT will be using the new Tenancy Fraud Forum valuation for property recovery. Working in conjunction with the London Boroughs' Fraud Investigators' Group (LBFIG) a new formula has been created to determine how much tenancy fraud costs. The formula considers the annual average temporary accommodation cost per family, the average duration for tenancy fraud, as well as the average investigation, legal and void costs. The agreed calculation for tenancy fraud within the borough is now valued at £56k per property (Previously £18k). The new calculation allows Hillingdon Council to accurately calculate financial savings by factoring in local figures.

**Unaccompanied Asylum-Seeking Children:** Unaccompanied Asylum-Seeking Children (UASC) are children and young people who are seeking asylum in the UK but have been separated from their parents or carers. Whilst their asylum claim is processed, they are cared for by the Council and provided with accommodation and or financial support.

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## WORK PROGRAMME

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	Ryan Dell, Democratic Services
<b>Papers with report</b>	None
<b>Ward</b>	All

## HEADLINES

This report is to enable the Audit Committee to review planned meeting dates and the forward programme.

## RECOMMENDATIONS

**That the Audit Committee:**

- 1. Notes the dates for Audit Committee meetings; and**
- 2. Makes suggestions for future agenda items, working practices and/ or reviews.**

## SUPPORTING INFORMATION

The meeting on 18 November 2025 will start at 17:10.

<b>Meetings</b>	<b>Room</b>
18 November 2025	CR5
10 February 2026	CR5
28 May 2026	CR5

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WORK PROGRAMME		2025/2026				2026/2027
Service area	Audit Committee				2026	
		Jul	Aug	Nov	Feb	May
		28	28	18	10	28
	Member training					
	Pre-meet (17:00-17:10)		EY	Head of Internal Audit	Corp. Dir. of Finance	Head of Counter Fraud
Democratic Services	Appointment of Chair					
	Appointment of Vice-Chair					
	Interviews for Independent Chair of the Audit Committee					
Corporate Services/ Finance	Update on risk assessment procedures/ budget-setting methodology			X		
	Governance Review Improvement Plan	X	Update	Update	Update	Update
	Financial Modernisation Programme	X				
	Council response to statutory recommendations report issued by the Council's external auditors		X			
	Summary of responses to Staff Survey			X		
	Contract Management Oversight			X		
	REQUEST BY CTTEE: Transformation, Digital & Technology Risk Management				X	
External Audit	External Audit item		Update on Accounts	Update on Accounts	Update on Accounts	Update on Accounts
Accounts	Statement of Accounts & Annual Governance Statement		<b>DRAFT 2024/2025</b> STATEMENT OF ACCOUNTS & ANNUAL GOVERNANCE STATEMENT			
Internal Audit	Audit Committee Annual Report		24/25			
	Risk Management Annual Report					X
	Risk Management Report		25/26 Q1	25/26 Q2	25/26 Q3	
	Corporate Risk Register					
	Strategic Risk Report		25/26 Q1	25/26 Q2	25/26 Q3	25/26 Q4
	Internal Audit Annual Report					25/26
	Internal Audit Progress Report		25/26 Q1	25/26 Q2	25/26 Q3	
	Internal Audit Charter				X	
	Internal Audit Plan					
	Internal Audit Strategy					
Counter Fraud	Counter Fraud Annual Report					25/26
	Counter Fraud Operational Plan					
	Counter Fraud Progress Report		25/26 Q1	25/26 Q2	25/26 Q3	
	Counter Fraud Strategy 2025-2028					



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