

# London Borough of Hillingdon Planning Report to the Audit Committee for year-ending 31 March 2015



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*I am delighted to present this planning report for the 2014/15 audit of the London Borough of Hillingdon. This report sets out our audit approach and the more significant areas where we will focus our attention this year.*

**Heather Bygrave, Audit Partner**



# 1. The big picture

## Key developments for the audit of the year ending 31 March 2015

### Council developments (at month 6)

- The Council is forecasting a General Fund outturn net expenditure of £209.6m, which represents a £2.6m underspend compared to budget.
- The 2014/15 revenue budget includes a £16.5m savings plan, of which we are informed by officers that £13.4m (81%) is banked or on-track for delivery.
- The General Fund Capital forecast is a £21.9m underspend against the revised budget of £111.1m. This is largely due to the re-phasing of capital projects from 2014/15 to the period 2015/16-2018/19.
- The Collection Fund is forecasting net income which is £2.2m higher than budget. This is largely being generated by an increase in Council Tax income yield due to new developments in the Borough.
- The Housing Revenue Account is forecasting a £4.2m underspend, mostly relating to planned maintenance. We understand this is largely the result of a re-phasing of the programme.
- Plans are underway to upgrade to Oracle financials. The go-live date has been deferred but is still expected to take place in the 2014/15 financial year.

### National / regulatory changes

- The 2014/15 Code includes a number of clarifications, and also introduces a number of new IFRS standards. The key points include:
  - Introduction of a set of IFRS standards relating to group reporting and consolidation.
  - Introduction of IAS 32 Financial Instruments: Presentation.
  - Clarification regarding presentation of information relating to changes in accounting policy.
- The Code also attempts to clarify reporting requirements for local authority maintained schools. CIPFA are currently consulting on the practical implications of implementing this guidance.

	2014/15 revised budget £m	2014/15 forecast £m	Forecast variance £m
<b>General Fund net expenditure</b>	212.2	209.6	(2.6)
<b>General Fund capital programme</b>	111.7	89.8	(21.9)
<b>Collection Fund net (income)</b>	(148.1)	(150.3)	(2.2)
<b>Housing Revenue Account (surplus)</b>	-	(4.2)	(4.2)

### Materiality

- We have estimated materiality of £10.1m, which is consistent with the 2013/14 audit. We will revisit our estimate of materiality on receipt of the draft financial statements.
- Based on the above materiality, we plan to report to the Audit Committee on all unadjusted misstatements greater than £505k (2013/14: £505k) and other adjustments that are qualitatively material.

### Significant audit risks

- A summary of our proposed significant audit risks is include below.
  - Recognition of grant income.
  - Recording of capital spend.
  - Management override of key controls, as presumed by auditing standards.
  - **Upgrade of Oracle financial system.**
- New significant risks for the 2014/15 year have been highlighted in bold.

We have also identified a potential significant risk regarding accounting for schools.



## 2. Our audit quality promise

In the prior year audit plan we put forward our audit quality promise where we identified a range of key quality metrics against which we expected to be measured. We believe that we have delivered all of the key quality promises in 2013/14 and propose to continue with the following actions in the current year:

<p style="text-align: center;"><b>Year round communication</b></p> <ul style="list-style-type: none"> <li>We will hold bi-monthly meetings with the Council finance team to discuss audit progress and emerging issues.</li> <li>We will hold annual meetings with Fran Beasley and Ray Puddifoot to understand key Council developments and their implications for the external audit.</li> <li>We will arrange to meet with the incoming Audit Committee Chairman to discuss preference for communication and hold an annual private meeting.</li> </ul>	<p style="text-align: center;"><b>Delivered in 2013/14?</b></p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">X *</p>
<p>* Audit Committee Chair was not appointed during the 2013/14 financial year. We have arranged to meet with the incoming Audit Committee Chair, Rajiv Vyas, ahead of the December 2014 audit committee meeting.</p>	
<p style="text-align: center;"><b>Main audit period</b></p> <ul style="list-style-type: none"> <li>We will hold weekly progress updates with Sian Kunert and James Lake and fortnightly progress update meetings with Nancy Le Roux to discuss findings and any emerging issues on the financial statement and pensions audits.</li> <li>We will hold a close meeting ahead of drafting our Audit Committee papers.</li> </ul>	<p style="text-align: center;"><b>Delivered in 2013/14?</b></p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>
<p style="text-align: center;"><b>Responding to queries and requests</b></p> <ul style="list-style-type: none"> <li>We will always endeavour to respond to queries and requests within 24 hours of receipt and give definitive timescales for their resolution.</li> <li>We will proactively arrange meetings to discuss any significant technical accounting developments, or changes to quality report arrangements, as soon as they are issued.</li> </ul>	<p style="text-align: center;"><b>Delivered in 2013/14?</b></p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>
<p style="text-align: center;"><b>Open feedback process</b></p> <ul style="list-style-type: none"> <li>We will carry out debrief meetings with the Audit Committee Chairman, and Paul Whaymand and Nancy Le Roux to discuss how we have delivered against the commitments on both sides, as set out in this document, and any other aspects of our delivery.</li> <li>We will respond to this feedback with agreed actions and timescales.</li> <li>We will also seek direct feedback through regular meetings during the year.</li> </ul>	<p style="text-align: center;"><b>Delivered in 2013/14?</b></p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>

# 3. Scope of work and approach

We have six key areas of responsibility under the Audit Commission's Code of Audit Practice

## Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and the Audit Commission's Code of Audit Practice. The Council will prepare its accounts under the Code of Local Authority Accounting. There are no significant changes in respect of the scope of our work in relation to this area of responsibility.

## Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

We will also review reports from regulatory bodies and any related action plans developed by the Council.

## Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusion is given in respect of two criteria:

- Whether the organisation has proper arrangements in place for securing financial resilience; and
- Whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In discharging this responsibility, we take into account our work on the Annual Governance Statement and the work of regulators.

## Assurance report on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on The Council's whole of government accounts return. Our report is issued to the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts.

## Pensions Audit

Our audit of the pension fund is planned in accordance with the Code of Audit Practice issued by the Audit Commission and in accordance with additional guidance issued by the Commission in relation to the audit of pension funds.

Based on guidance issued by the Audit Commission, Auditors are asked to treat the Local Government Pension Scheme (LGPS) as a stand-alone body, with separate audit plan and reports to those charged with governance.

## Grants

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority.

The appointed auditor carries out work on individual claims and returns as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

# 3. Scope of work and approach (continued)

## Approach to controls testing

As set out in our "Briefing on audit matters" previously provided to the Council, our risk assessment procedures will include obtaining an understanding of controls considered to be relevant to the audit. This involves evaluating the design of the controls and determining whether they have been implemented.

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

## Risk assessment

Below we have summarised the sources we have drawn upon in undertaking our initial risk assessment and preparing this audit plan:

<b>Internal audit</b>	We have reviewed the internal audit plan and the reports issued by internal audit to date in the 2014/15 financial year. We have also held discussions with internal audit regarding key findings to date. We will continue to liaise with internal audit and review further reports as they are issued.
<b>Audit Committee / Cabinet / Council meetings</b>	We have reviewed the papers and minutes of these meetings in order to gain an understanding of relevant and significant events in the year to date. We will continue to attend audit committee meetings and review papers and minutes of Cabinet and Council meetings for the remainder of the financial year.
<b>Meetings with Officers</b>	We have regular meetings with members of the finance team to understand key developments. As outlined on page 3, we will continue to do this both outside and during the main audit period.
<b>Review of financial performance and financial planning</b>	We have reviewed the monthly finance reports for the year to date, and the latest Medium Term Financial Forecast (MTFF). We have summarised the key points relating to revenue and capital plans, and the potential impact on the external audit, on pages 6 and 7.
<b>Consideration of relevant accounting changes</b>	We have reviewed the 2014/15 Code of Practice on Local Authority Accounting and considered the potential impact of changes on the Council's financial statements. Whilst the changes to the Code for 2014/15 are not significant, the potential risk relating to accounting for schools (page 11) has arisen from this review.

### Liaison with Internal Audit

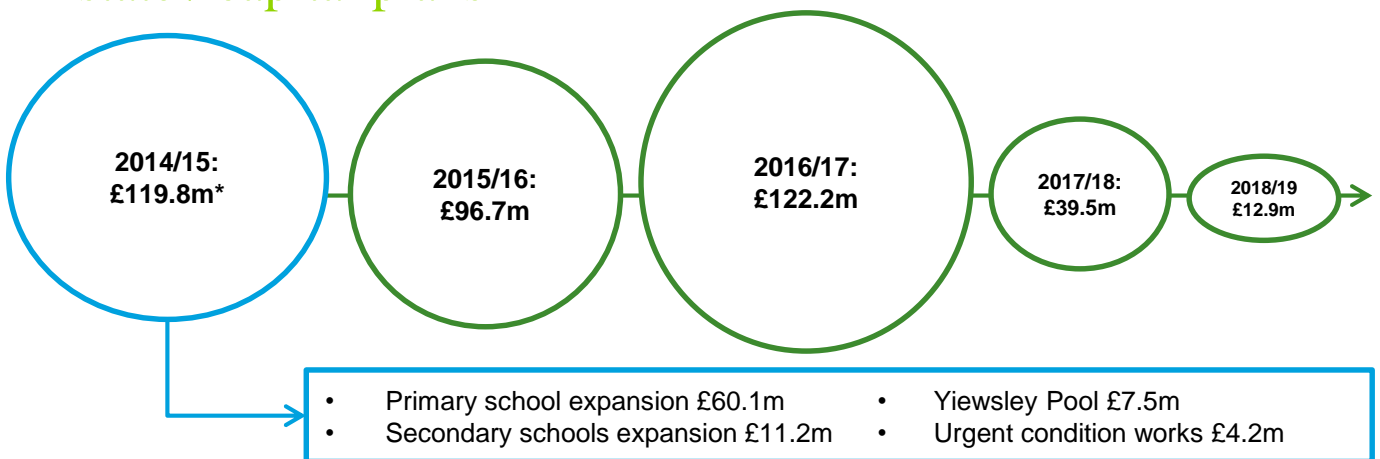
The Auditing Standards Board has issued a revised version of ISA (UK and Ireland) 610 "Using the work of internal auditors". This prohibits use of internal audit to provide "direct assistance" to the audit with effect from 2014/15. Our approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements.

The audit team, following an assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit department, will review the findings of internal audit and adjust the audit approach as is deemed appropriate. As noted above, we have reviewed internal audit reports issued to date, and will continue to review and consider these as they are issued.

## 3. Scope of work and approach (continued)

On the following pages we have provided a summary of our review of the Council's Medium Term Financial Forecast (MTFF), undertaken as part of our financial performance and financial planning review. We have provided a high-level summary of the key capital and revenue plans, and the potential implications from an external audit perspective.

### Estate / capital plans



#### Summary

The Medium Term Financial Forecast shows an estimated £391m capital spend over the next five years, with the majority of that spend within the first three year. Capital plans extend across all key directorates and sites, with the most significant projects being the completion of the primary and secondary schools programme. Funding will largely be obtained from prudential borrowing (38%) and Government grants (44%).

#### Impact on the financial statements audit

The significant level of capital expenditure presents a number of risks. The first relates to the volume of activity and the judgement in determining whether expenditure is revenue or capital in nature. We have identified this as a significant audit risk on page 9.

The second element relates to the timing of completion of capital projects and the presentation of such assets in the notes to the financial statements. Whilst we recognise this as a risk, we do not consider it to be material in nature and so we have not classified this element as a significant audit risk.

#### Other potential impact

Under our value for money responsibilities we are required to consider whether the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In this area, areas for consideration might include overspend on material projects or issues relating to weaknesses in the Council control environment.

In undertaking our initial risk assessment, we have not identified any such concerns at this time. However, we will continue to monitor performance and if we identify any areas of concern we will discuss these with Council officers in the first instance.



## 3. Scope of work and approach (continued)

### General fund revenue and savings plans

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
<b>Resources</b>	212.2	204.3	203.9	200.6	199.2
<b>Pressures, contingency etc.</b>	13.8	21.1	34.8	44.0	50.4
<b>Savings requirement*</b>	(12.8)*	(28.1)	(42.1)	(54.6)	(62.3)

\* Represents the financial savings target required to achieve a balanced budget. The savings requirement is calculated after consideration of the anticipated pressures and contingency shown above. The £12.8m savings requirement noted above for 2014/15 has been taken from the MTFP presented in February 2014. This has since increased to a £16.5m savings plan, as quoted on page 2.

#### Summary

The MTFP shows a reduction in resources over the medium term, largely driven by a reduction in Revenue Support Grant. This is partially offset by a planned increase in council tax and business rate income.

The Council's savings requirement is largely driven by the need to mitigate against this net reduction in income, and to offset inflationary and service pressures.

The £12.8m savings requirement noted above for 2014/15 has been taken from the MTFP presented in February 2014. This has since increased to a £16.5m savings plan, as quoted on page 2. At month 9 the Council reported that £13.4m (81%) is banked or on-track for delivery.

#### Impact on the financial statements audit

The Council's savings programme does not have a direct impact on the external audit of the financial statements, although the impact of achievement or non-achievement will clearly be seen in the results at the end of the financial year, which are subject to audit. We will also consider financial planning as part of our going concern review.

#### Other potential impact

The planning and reporting of savings and the Council's arrangements to secure financial resilience are one of the key areas we consider as part of our value for money responsibilities.

As part of our initial value for money risk assessment (discussed further on page 13), we have reviewed the Council's historic record of achieving savings, and the arrangements around savings plans in the current and future years. Whilst we note the reported 81% year to date position, we will continue to monitor this area, including the extent of plans for future years, as part of our ongoing work.



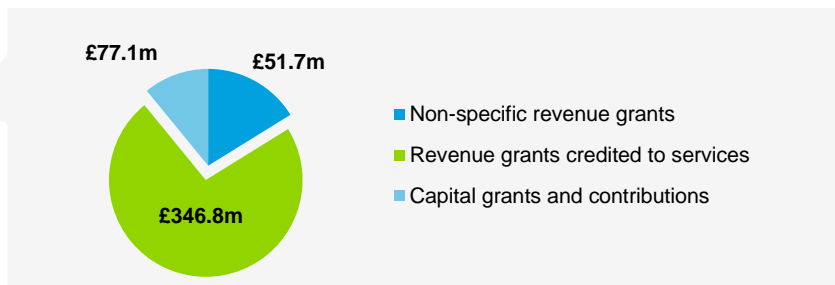
# 4. Significant audit risks

## Grant income recognition

2013/14

Income (£m)  
**£475.6m**

Actual



### Nature of risk

We identified recognition of grant income as a significant risk due to:

- complex accounting for grant income, as the basis for revenue recognition in the financial statements will depend on guidance associated with each individual grant; and
- significant management judgement over determining if there are any conditions attached to a grant, and whether conditions have been met.

Whilst central government grant income is reducing on an annual basis, and no significant errors were identified from the testing undertaken in the 2013/14 audit process, it remains a significant area of income for the Council.

### Key judgement areas, its impact on the financial statements and our audit challenge

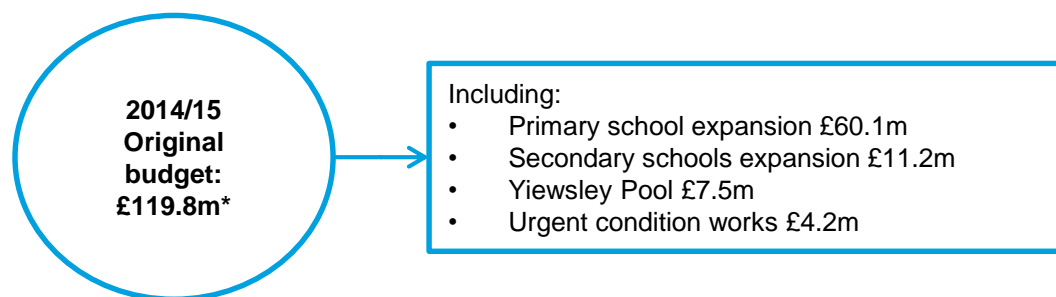
We will carry out detailed testing of grant income to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the draft or final grant claim and that the grant control account balance has been properly reconciled.

We will review correspondence attached to specific grants and compare to the Council's accounting treatment.

We will test the design and implementation of controls around recognition of grant income.

## 4. Significant audit risks (continued)

### Recording of capital spend



\* Taken from MTFF- month 6 forecast general fund capital spend reports a forecast spend of £89.8m.

#### Nature of risk

We have identified the recording of capital spend as a significant risk due to:

- A forecast of significant capital spend in 2014/15.
- There being a significant management judgement over classification of expenditure on whether it is capital or revenue in nature, and when a project has been completed and ready for use.

#### Key judgement areas, its impact on the financial statements and our audit challenge

We will perform detailed sample testing on the expenditure coded as capital additions in the year to confirm whether the expenditure has been coded correctly.

Where the addition replaces another asset, we will test that the other asset has been appropriately de-recognised.

We will also perform detailed sample testing on repairs and maintenance accounts to identify capital expenditure that has been incorrectly treated as revenue.

## 4. Significant audit risks (continued)

### Management override of controls

#### Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

#### The significant risk in relation to management override, its potential impact on the financial statements and our planned audit challenge

Our work will focus on:

- the testing of journals, using data analytics to focus our testing on higher risk journals;
- significant accounting estimates. In addition to the estimates discussed above in respect of grant income recognition, we will also consider expenditure and debt provisions, and accruals; and
- any unusual transactions or one-off transactions, including those with related parties.

Our wider response to the risk of fraud is set out in Appendix 1.

#### Other audit work planned to address the significant risk

In considering the risk of management override, we will:

- assess the overall position taken in respect of key judgements and estimates; and
- consider our view on the overall control environment and 'tone at the top'.

## 4. Significant audit risks (continued)

### Oracle finance system upgrade

#### Nature of risk

The Council is in the process of upgrading its finance system to Oracle R12. We understand that the go-live implementation date has been deferred, but is expected to take place ahead of the year date of 31 March 2015.

Given the all encompassing nature of such a change on financial reporting, we consider there to be a pervasive risk to the financial statements.

#### Key judgement areas, its impact on the financial statements and our audit challenge

We will understand the arrangements the Council has in place regarding the transition to the new system, including the control checks put in place and testing of the completeness of the data transfer.

We will focus our testing on the risks to the financial statements, including the completeness of the transfer of trial balance data, the reporting format of the new systems and review of the various reconciliations and testing undertaken by the Council internally.

## 5. Other audit risks

We have identified the following risk as a potential significant audit risk. This is because at the current time, CIPFA has issued a consultation concerning the practical considerations of accounting for schools, but no 'final' guidance has been issued. We will monitor this potential risk and work closely with the Council finance team to address it.

### Accounting for schools

#### Nature of risk

The 2014/15 Code of Practice on Local Authority Accounting includes a section covering the 'reporting requirements for local authority schools within the control of local authorities'. This addition was in response to differing practices being adopted by local authorities regarding the consolidation of schools in the local authority financial statements. The Council currently recognises the non-current assets of community schools, but not foundation or voluntary aided schools.

Following the publication of the Code, there have been several CIPFA technical bulletins and consultations, which attempt to clarify queries regarding accounting for different categories of schools, and specifically schools which are aligned with a religious or charitable body. At the time of issuing this report, definitive guidance has not yet been published.

There are several potential implications for the financial statements in relation to the above, including the application of a change in accounting policy and the recognition of school non-current assets on the balance sheet.

Given the emergent nature of this issue, we are currently working with the Council finance team to understand the potential implications of this change across different scenarios. If accounting guidance is updated prior to the preparation of the financial statements, we will reconsider whether we still consider this to be a significant risk.

#### Key judgement areas, its impact on the financial statements and our audit challenge

There are two key judgement areas regarding this risk. Firstly, regarding the Council's interpretation and application of the available guidance regarding the recognition of school assets, and secondly, how such assets are recognised on the balance sheet.

We will undertake the following procedures:

- Perform testing on the design and implementation of controls regarding the identification, classification and valuation of schools and their assets, including reviewing the Council's interpretation against available guidance.
- Perform sample testing on a sample of schools to test the classification, and to test how non-current assets have been accounted for.

We note that the current guidance is likely to develop ahead of the financial year-end. The Council finance team is aware of the current uncertainties regarding this issue and we understand they have been in contact with CIPFA directly. As noted above, we will reconsider whether this is a significant audit risk as further guidance is issued.

# 6. Value for money conclusion

## Our work will focus on the extent to which the Council has proper arrangements in place to secure value for money

### Scope

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the London Borough of Hillingdon has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources - this conclusion is known as “the VFM conclusion”.

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2015
<b>The organisation has proper arrangements in place for securing financial resilience.</b>	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
<b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b>	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### Approach to our work

We draw sources of assurance relating to our VFM responsibilities from:

- the Council's system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there is none expected in 2014/15; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

### Preliminary assessment

Our preliminary assessment, based on information reviewed to date, is that there are no significant risks in relation to our VFM responsibilities which requires local work to be carried out, and we have therefore not identified any risks in our audit plan.

This preliminary view is based on the undertaking of a risk assessment, which involves consideration of common risk factors for local authorities identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on Hillingdon Council.

In stating the above, we draw attention to our review of the MTFF on page 7, and specifically the Council's reported revenue savings requirements. We will continue to monitor this area during the course of our audit work, consider whether it presents a risk to the VFM conclusion, and undertake additional procedures where necessary.

During the course of the year we will update our risk assessment to take account of the outturn financial and performance information for 2014/15, and through our consideration of what has been reported in the Annual Governance Statement, matters reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

# 7. Grants

## Our work will focus on the audit over the grants in scope as per our contract with the Audit Commission

### Scope

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority. The Commission, rather than its appointed auditors, has the responsibility for making certification arrangements. The appointed auditor carries out work on individual claims and returns as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

The respective responsibilities of the grant paying body, authorities, the Audit Commission and appointed auditors in relation to claims and returns are set out in the 'General Certification Instructions' produced by the Audit Commission.

Auditors appointed by the Audit Commission are required to:

- review the information contained in a claim or return and to express a conclusion whether the claim or return is: i) in accordance with the underlying records; or ii) is fairly stated and in accordance with the relevant terms and conditions;
- examine the claim or return and related accounts and records of the Local Authority in accordance with the specific grant certification instructions;
- direct our work to those matters that, in the appointed auditor's view, significantly affect the claim or return;
- plan and complete our work in a timely fashion so that deadlines are met; and
- complete the appointed auditor's certificate, qualified as necessary, in accordance with the general guidance in the grant certification instructions.

These responsibilities do not place on the appointed auditor a responsibility to either:

- identify every error in a claim or return;
- or maximise the authority's entitlement to income under it.

#### Grants expected to require certification relating to the 2014/15 year

Housing benefits subsidy claim (BEN01)



# 8. Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. We enhance this reporting with observations arising from our audit work and our Insight Plan performed to date which are designed to help the Council discharge its governance duties.

Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit
- Key regulatory and corporate governance updates, relevant to you.

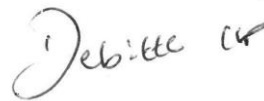
### What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the board.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you previously.
- Our Audit Quality Promise provide the details of additional procedures we have agreed with you we will perform alongside the audit of the financial statements.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Deloitte LLP**

Chartered Accountants

4 December 2014

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

# Appendix 1: Independence and fees

## We confirm we are independent of the London Borough of Hillingdon

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below:

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### Independence confirmation

We confirm we are independent of the London Borough of Hillingdon and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2015 in our final report to the Audit Committee.

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### Fees

Details of the non-audit services fees proposed for the period have been presented separately on the following page.

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### Non-audit services

In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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# Appendix 1: Independence and fees (continued)

## We have set out below our audit fees for 2014/15

The table below details our proposed audit fees and non-audit fees for the year ending 31 March 2014 for those services for which we have been engaged or proposed for as at the date of this report.

	Current year £'000	Prior year £'000
Fees payable in respect of our work under the Code of Audit Practice in respect of the London Borough of Hillingdon's annual accounts, assurance report on the Whole of Government accounts and the value of money conclusion	207.1	207.1
Additional procedures in respect of non-domestic rates <sup>1</sup>	3.5	3.5
Fees payable for the audit of the London Borough of Hillingdon's pension scheme annual report	21.0	21.0
	<b>231.6</b>	<b>231.6</b>
Fees payable for the certification of grant claims <sup>2</sup>	TBC	45.3
<b>Total fees payable in respect of our role as Appointed Auditor</b>	<b>TBC</b>	<b>276.9</b>
<b>Non audit fees</b>		
Deloitte Real Estate contract monitoring engagement <sup>3</sup>	5.0	53.6

<sup>1</sup> This fee represents the additional procedures required in respect of audit testing non-domestic rates following the removal of grant certification work in this area in 2013/14. The 2013/14 fee was agreed by the Council and the Audit Commission, but we are currently awaiting confirmation from the Audit Commission in relation to the 2014/15 fee.

<sup>2</sup> The Audit Commission website includes an indicative 2014/15 grants scale fee for Hillingdon as £66,350. This is an indicative fee only and requires further review and discussion with Officers and the Audit Commission.

<sup>3</sup> Deloitte Real Estate has been monitoring the delivery of a building contract for the expansion of 6 primary schools. We have considered the potential independence risks, including any potential risk in respect of a 'self-review threat' or 'management threat'. We have concluded that this work does not compromise our independence as DRE is not exercising authority on behalf of the Council and not making any management decisions for the Council. Furthermore, the work is undertaken by a separate team to the audit team and we have not encountered the work of DRE in our capacity as external auditors when testing capital balances or through or value for money procedures. We have received approval from the Audit Commission to undertake this work. The above 2014/15 figure is an estimate of the costs to finalise the project, which is expected to be completed in the current financial year.

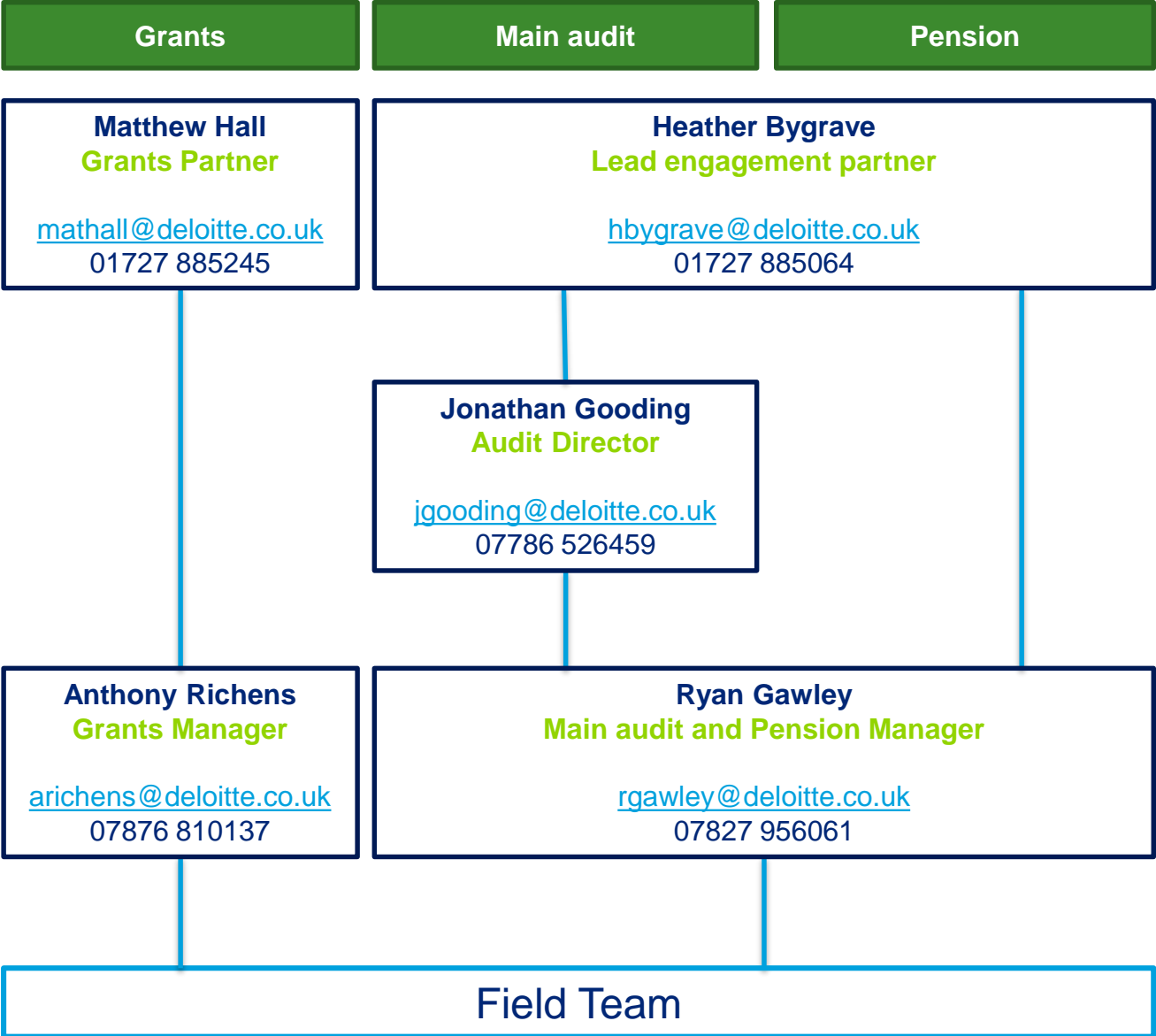
## Appendix 2: Prior period misstatements

There were no uncorrected misstatements in the 2013/14 year

The Council corrected all significant misstatements and disclosure deficiencies identified through the 2013/14 audit.

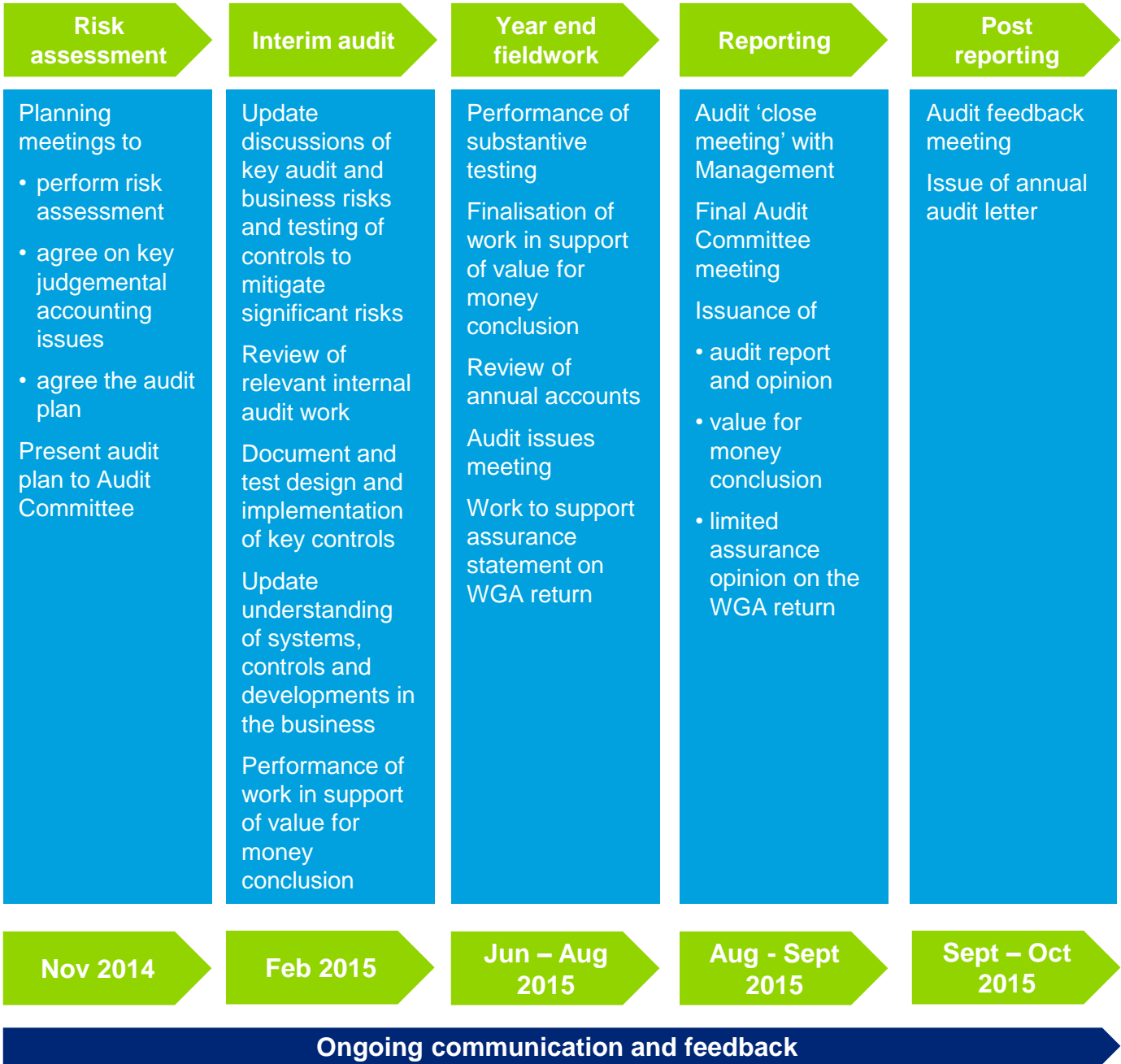
# Appendix 3: Your audit team

A senior team, with continuity from last year, that incorporates specialists to perform audit work over pensions and grants and also provide insight and add value to the Borough in those areas



# Appendix 4: Timetable

Set out below is the approximate expected timing of our reporting and communication with Management and those charged with governance.



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