

London Borough of Hillingdon Provisional Audit Planning Report

Year ended 31 March 2025

24 July 2025



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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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.



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

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.

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.

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.

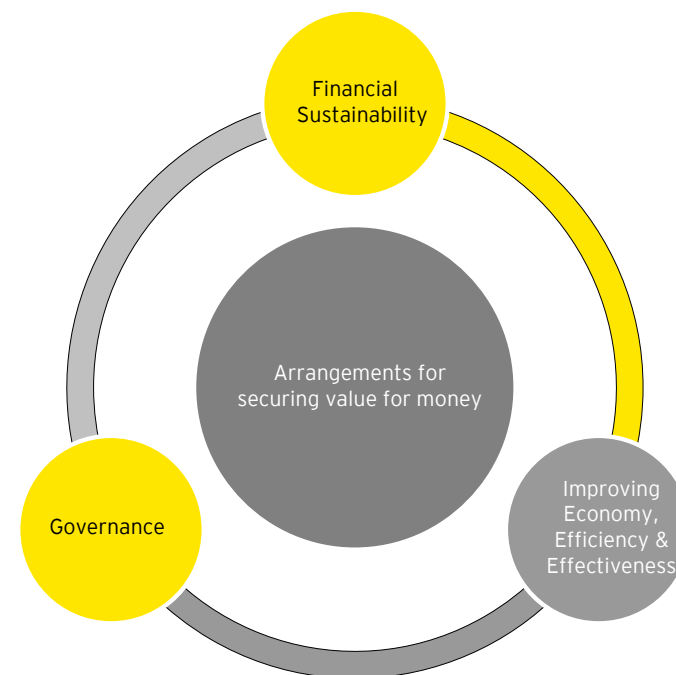
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its 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"> ▶ Enquiring of management as to the actions taken during 2024/25 to improve financial management; ▶ Reviewing the results of the financial management review the Council has commissioned from CIPFA; ▶ Assessing the financial resilience of the Council against external benchmarks; ▶ Reviewing the Council's financial outturn and management against budget for 2024-25; and ▶ Reviewing the Council's financial projections and plans for the period 2025-26 to 2029-30. <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"> ▶ Enquiring of management as to the actions taken during 2024/25 to address issues noted during 2023/24; ▶ 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; ▶ Review the reports of internal audit to assess whether the quality of Council data continues to be noted as an area of concern; ▶ Considering our experience in executing audit procedures as part of our 2024/25 audit and whether similar difficulties as in 2023/24 are encountered. <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"> ▶ Enquiring of management as to the actions taken during 2024/25 to address issues noted during 2023/24; ▶ 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; ▶ Considering our experience in executing audit procedures as part of our 2024/25 audit and whether similar difficulties as in 2023/24 are encountered.

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



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.

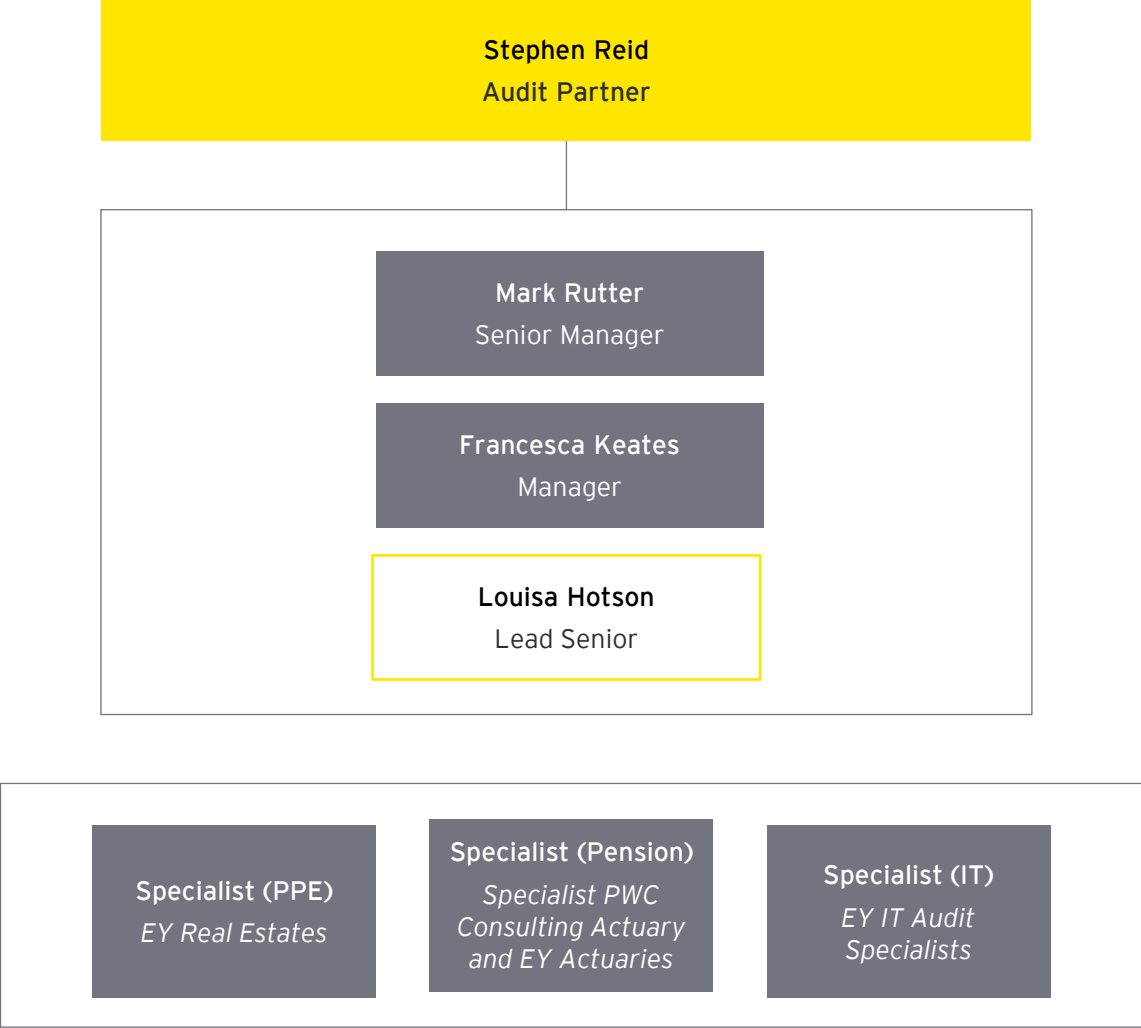
Internal audit

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



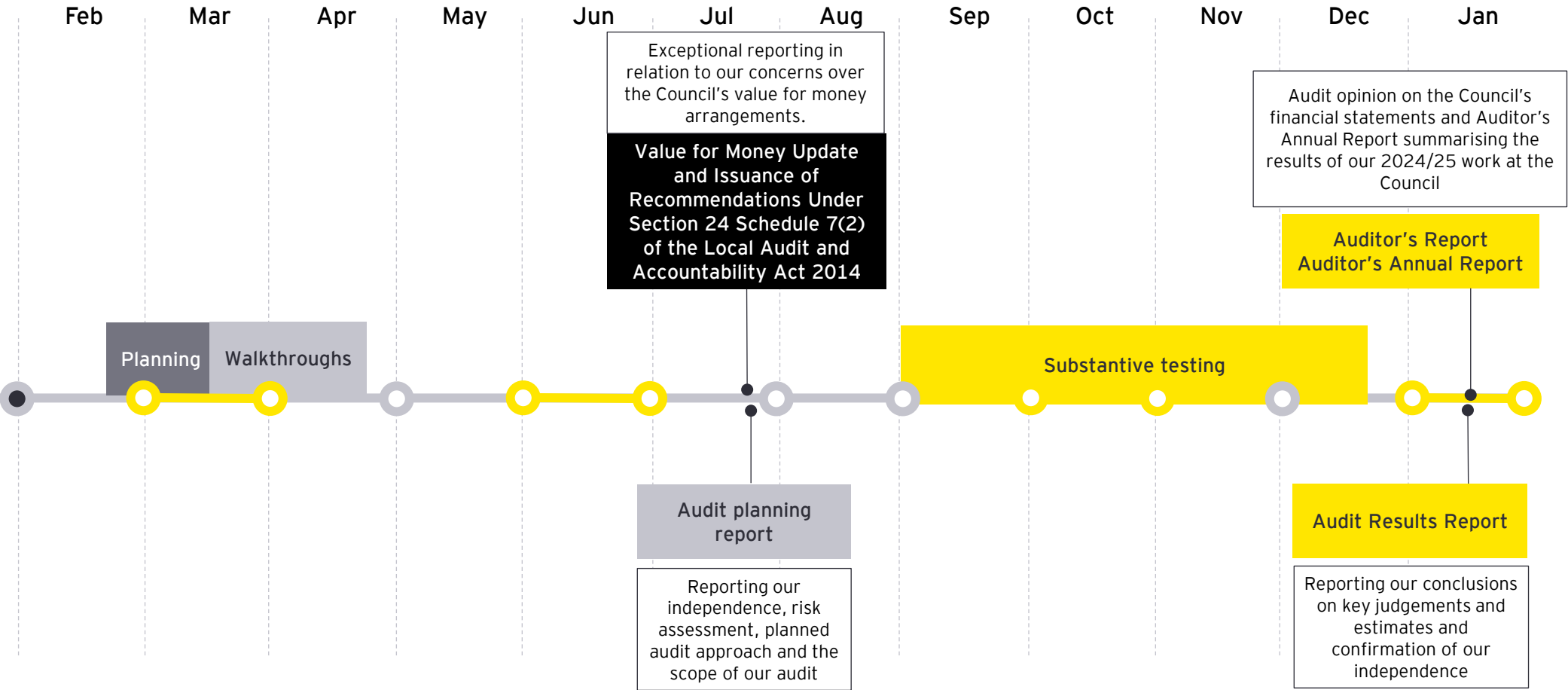
07

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
Total Audit Fees	526,245	526,245	TBC
Non-Audit Work - Housing Benefit Certification (note 5)	TBC	-	TBC
Total other non-audit services	TBC	-	TBC
Total fees	TBC	526,245	TBC

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"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <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"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - November 2025
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - November 2025
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ 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"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ 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 ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	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"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	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"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <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"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - November 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 ▶ 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 	Audit Results Report - November 2025
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - November 2025
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - November 2025
System of quality management	<ul style="list-style-type: none"> ▶ How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit Results Report - November 2025
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - November 2025
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - November 2025

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