

FINAL 2024/25 STATEMENT OF ACCOUNTS

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| Committee name | Audit Committee |
| Officer reporting | Pete Carpenter, Director of Pensions, Treasury and Statutory Accounts |
| Papers with report | For the London Borough of Hillingdon Appendix 1 – 2024/25 Final Statement of Accounts Appendix 2 – 2024/25 Draft Auditor’s Annual Report Appendix 3 – 2024/25 Audit Results Report For the Hillingdon Pension Fund Appendix 4 – 2024/25 Final Statement of Accounts Appendix 5 – 2024/25 Audit Results Report (<i>TO FOLLOW</i>) |
| Ward | All |

HEADLINES

This report provides the final 2024/25 Statement of Accounts for the London Borough of Hillingdon and the separate final 2024/25 Statement of Accounts for the Hillingdon Pension Fund.

RECOMMENDATIONS:

That the Audit Committee:

1. **Note the final position regarding the Statement of Accounts, Draft Auditors Annual Report, and Audit Results Report 2024/25 for the London Borough of Hillingdon for ratification and delegate final sign-off to the Corporate Director of Finance, in consultation with the Chair who will sign off the accounts on behalf of the Audit Committee, following approval of the Council’s EFS application; and**
2. **Note the final position regarding the Statement of Accounts, Auditors Annual Report, and Audit Results Report 2024/25 for the Hillingdon Pension Fund for ratification.**

SUPPORTING INFORMATION

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

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

The present position on audits across England as at the 31st December 2025 as reported by Public Sector Audit Appointments (PSAA) is that of the 457 “opted in” bodies (excluding Pension

Funds), only 101 Audits had been completed.

A total of 216 disclaimed audit opinions were issued by auditors to local government bodies because of the “final” backstop date for the 2023/24 financial year. This is 47.1% of all local government audits in England. It should be noted that as at the 31st December 2025 that there were still:

21 2023/24 Audits outstanding
7 2022/23 Audits outstanding
5 2021/22 Audits outstanding
5 2020/21 Audits outstanding
3 2019/20 Audits outstanding

Advice is that due to the number of years of “Disclaimer Opinions” the Council has, and the lack of assurance obtained from audit procedures, there will be at least 2 further years of disclaimer opinions before the Council can return to fully “clean” opinions.

Draft Final Accounts 2024/25 – London Borough of Hillingdon

The Council published its draft Statement of Accounts for the year ended 31st March 2025 on 22nd September 2025. The Public Inspection period started on the 23rd September 2025 and ran to the 3rd November 2025.

The 2024/25 Audit has not looked to rebuild the Council’s position following two years of “Disclaimer Audits”. It has been a transaction-based audit to provide assurance on what happened during the 2024/25 financial year and the balance sheet balances as at 31st March 2025. External Auditors Ernst & Young (EY) did receive an updated auditing framework for 2024/25 from the Government which set out how they need to proceed in “rebuilding the Council’s position when they have Disclaimer Opinions”. However, this was received too late in the summer to reasonably be considered and then built into their audit approach for the current cycle.

The audit process has now been completed, and the final accounts are provided in **Appendix 1** for noting. The major changes to the accounts since the draft accounts were submitted have been:

- 1) The removal of a £2m interim dividend announced by Hillingdon First as this was not received in the 2024/25 financial year.
- 2) A correction to the revenue position of £1.278m in relation to timing differences on Housing Benefit repayments.
- 3) Updates to the Going Concern note and the Annual Governance Statement to reflect the receipt of the Section 24 Statement and associated recommendations, and the latest position with regard to the Council’s Exceptional Financial Support (EFS) application.
- 4) Reversal of the prior year adjustments

Usually, these corrections would have been made against the General Fund balance but given its present balance they have been addressed by reviewing the Council’s earmarked reserves to offset the net £3.3m adjustment. These changes will be formally approved by Cabinet as part of a final 2024/25 update to be set out in the P9 2025/26 Monitoring Report.

The prior year adjustments that had been reported in the draft accounts have been reversed as they fell below the required materiality level as well as a number of format/presentational changes

which have not impacted the final position for the Council.

For final sign-off of the accounts, the External Auditors will require evidence that the Council's application for EFS has been approved, and narrative in the statements will need to be updated to report the approved amount(s). As such, it is requested that approval is delegated to the Committee Chair and the Corporate Director of Finance to sign off the final accounts once this information has been included, which is expected to be before the 27th February "backstop" date. The Final Auditor's Annual Report will be issued at this time.

Draft Auditors Annual Report – London Borough of Hillingdon

The External Auditors Ernst & Young (EY) delivered their draft Auditor's Annual Report on the 27th November 2025 – which was before the 30th November statutory deadline but after the 18th November meeting due to the process of reaching final agreement on the content.

This draft report (**Appendix 2**) builds upon the issues set out in the "Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014" report which was discussed by this Committee in August 2025.

This draft report sets out that there are four matters to report by exception on the Council's value for money arrangements, relating to significant weaknesses in the Council's arrangements in respect of:

- Financial sustainability;
- The quality of Council information;
- The capacity of the Council's finance team; and
- The implementation of Oracle Fusion and Oracle EPM.

In the August 2025 Report, the External Auditors issued 7 recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act ('statutory recommendations') to the Council. These concerned three of the four significant weaknesses in the Council's arrangements highlighted in the draft 2024/25 Auditor's Report. The significant weakness in arrangements not covered in that report how the implementation of Oracle Fusion and Oracle EPM for which audit work was ongoing at the time the recommendations were issued.

The draft audit opinion is a **disclaimer opinion** due to full assurance not being met at that stage over all the 2024/25 in year movements, combined with the issues highlighted in previous years' comparative and opening balances.

It should be noted that the Auditors agreed with the Council a management-imposed limitation of scope to the Council's audit to exclude the valuations of the Council's land and building assets from their work on the closing balance sheet for 2024/25. This was to allow the audit and finance team's effort to be focused on those areas where it is more difficult to rebuild assurance, and hence those areas which will ultimately be of most benefit in supporting future audit opinions.

The Value for Money commentary has been based on the work performed. The External Auditors have identified a number of weaknesses that they have reported by exception in relation to the Council's financial sustainability and governance. The Value for Money recommendations are:

1. They recommend that the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025/26 budget and future medium-term financial strategy, and identifies and develops implementation plans for further savings which can be

pursued should additional budgetary pressures emerge or the Council fails to achieve all of its currently planned savings.

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

These recommendations were issued to the Council as statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 on 24 July 2025.

In addition to these, there is also the following non-statutory recommendation issued as part of the Draft Auditor's Annual Report. This has been added to the Governance Review Improvement Plan (GRIP):

8. They recommend that the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced budget, it should consider what further actions it may be required to take to comply with its statutory responsibilities.

In Appendix C of the draft Auditor's Annual Report detailed recommendations relating to the implementation of Oracle Fusion are also set out.

Progress on these recommendations are set out in the GRIP document which is reported to this Committee.

Audit Results Report - 2024/25 London Borough of Hillingdon

The Audit Results Report is set out in **Appendix 3**. This report sets out the findings of the audit

process that has taken place since the draft accounts were submitted in September.

The report sets out that although the level of assurance gained has increased, not all planned audit procedures for the 2024/25 year were completed. Therefore the auditors have not obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. The 2023/24 Accounts had a “Disclaimer Opinion”, meaning there is not full assurance over some of the brought forward balances from 2023/24. As such it is anticipated that a “Disclaimer Opinion” will be issued for the Councils 2024/25 Audit.

Appendix A gives details of the timescales to build back full assurance. This is not expected until the 2027/28 Accounts at the very earliest.

The report reiterates capacity considerations within both the Council’s finance team and the audit team (because of lateness of accounts), and has subsequently identified the implementation of Oracle Fusion and Oracle EPM as an additional, discreet, risk of significant weakness.

Key areas for improvement are:

- Improving the timeliness of the draft financial statements
- Delivery of working papers in accordance with agreed schedule
- The timeliness and quality of evidence supporting key accounting estimates
- The volume and value of identified misstatements
- The quality and completeness of the draft financial statements
- The quality of working papers and supporting evidence
- The continued access to staff to support the audit in line with the Audit plan

Key financial sustainability risks include the capacity of the finance team, the quality of Council information and the implementation of Oracle Fusion. These risks are monitored via the GRIP programme to this committee.

The auditors assessment of the control environment shows an improvement over the 2023/24 process with 5 open risks (7 last year) of which 2 are high and 3 moderate.

This report also recommends that management review processes around key account reconciliations to ensure that reconciliations are performed on a timely basis and reconciling items investigated and resolved promptly.

Comparing the Council’s position in the 2024/25 Audit to the 2023/24 Audit based on the Summary of Assurances Statement there is the following improvement:

| Year | Red | Amber | Green | N/a |
|---------|-----|-------|-------|-----|
| 2024/25 | 18 | 9 | 16 | 1 |
| 2023/24 | 26 | 6 | 11 | 1 |
| Change | -8 | +3 | +5 | - |

Definitions:

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|--|--|
| | We have been able to complete our audit procedures and obtain assurances over the relevant account or disclosure. |
| | We have completed some procedures and obtained some assurances over the relevant account or disclosure, however either due to not being able to complete other procedures or the impact of not having assurance over opening balances we have not obtained assurance over the relevant account or disclosure as a whole. |

We have not been able to complete our procedures and no assurance over the relevant account or disclosure has been obtained

Of the 18 assurances still at red:

- 2 related to PPE work that is out of scope;
- 14 were where the auditors were not able to complete their work;
- 1 related to reserves;
- 1 related to the Council as a “going concern.

Of the 9 assurances at amber:

- 4 relate to opening balances/PPE being out of scope;
- 2 link to Schools and associated information;
- 3 had other area dependencies that had not been completed.

Final Accounts 2024/25 – Hillingdon Pension Fund

The Pension Fund published its draft Statement of Accounts for the year ended 31st March 2025 on 30th June 2025. The Public Inspection period started on the 1st July 2025. Unlike the Council, the previous year had a “clean” audit opinion. These accounts are set out in **Appendix 4**.

There have been no changes since the draft accounts were submitted.

Audit Results Report – Hillingdon Pension Fund

The Pension Fund Auditor’s Results Report is set out in **Appendix 5**. In this report the Pension Fund will receive an Unqualified Opinion, as in previous years.

Other Audits

There is the requirement for the Council to procure new Auditors for the separate 2024/25 Housing Benefit Audit required by the Department of Works and Pensions (DWP). This Audit runs a year in arrears to the main audit.

Grant Thornton delivers the Council’s Teachers’ Pension and Pooling audits, and these are expected to be within approved budget estimates.

FINANCIAL IMPLICATIONS

PSAA has published the 2024/25 scale of audit fees for bodies that have opted into its national auditor appointment scheme. The fee scale is confirmed as a 9.5% increase on the 2023/24 scale fees to cover the additional audit work required under revised standards and a contractual inflationary increase payable to audit firms for 2024/25. The new audit work relates to revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The fee values for 2024/25 are £433,673 for the Council audit and £92,572 for the Pension Fund. Oracle work is outside these fee rates and will cost £78,079 for the significant amount of work that was undertaken in this area. The corresponding figure in the pension fund is circa £7,000.

Ernst & Young have advised that there would be scale fee variations in respect of the 2024/25 audit and that this will be in the range of £120,000 - £140,000. Hence, the total audit fee, including the Oracle work, for 2024/25 will be in the region of £631k to £651k.

LEGAL IMPLICATIONS

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

BACKGROUND PAPERS

NIL.

APPENDICES

For Hillingdon Borough Council

Appendix 1 – 2024/25 Final Statement of Accounts

Appendix 2 – Draft 2024/25 Draft Auditors Annual Report

Appendix 3 – 2024/25 Audit Results Report

For the Hillingdon Pension Fund

Appendix 4 – 2024/25 Final Statement of Accounts

Appendix 5 – 2024/25 Audit Results Report