

**London Borough of Hillingdon**

Annual Audit Letter

To the Members of London Borough of Hillingdon

On the audit for the year ending 31 March 2009

**3 December 2009**

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# 1. Executive summary

The purpose of this Annual Audit Letter is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2009, and work undertaken to assess the arrangements to secure value for money in your use of resources. Although this letter is addressed to the members of London Borough of Hillingdon (“the Council”), it will also be published on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and on the Council’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). This summary is not intended to be exhaustive but summarises our conclusions in respect of the audit of Hillingdon Council’s Statement of Accounts, the use of resources assessment and the value for money conclusion.

## The audit of the accounts

- The Statement of Accounts was closed and prepared in accordance with the timetable. We believe good progress has continued in the improvement of financial reporting arrangements.
- We issued an unqualified audit opinion on the Statement of Accounts by the 30 September deadline.
- The Council has responded positively to recommendations that we have made around the internal control systems across the Council and financial reporting arrangements, and has put in place action plans to address these areas. We will follow the progress in our 2009/10 audit.

## Value for money conclusion and use of resources assessment

- We gave an unqualified conclusion as to whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- The Council scored 2 for Use of Resources which means it is “performing adequately”. However, we have noted considerable areas of improvement achieved by the Council during the year, and the Council has been proactive and innovative in identifying a strategic framework within which it can continue to improve its arrangements and outcomes for local residents in forthcoming years.

## Other work performed

- We were able to issue an unqualified opinion on the Pension Scheme Annual Report, and congratulate the Council for preparing this in a timely and well organised manner.

## 2. The audit of the accounts

### Responsibilities of the auditor and the Council

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including local authorities.

As the Council's appointed external auditor we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we have responsibilities in two main areas:

- the Council's accounts; and
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

### The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA plus") as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Statement of Recommended Practice for Local Authorities 2008.

### Key matters arising from the audit of the accounts

- We issued an unqualified opinion on the Councils 2008/09 accounts on 30 September 2009, in accordance with the deadline. Our opinion confirms that the accounts present fairly the financial position of the Authority and its income and expenditure for the year. We presented a detailed report on our audit, to the Council's Audit Committee on 22 September 2009.
- We received a complete set of draft accounts, in advance of the agreed deadline which was supported by good quality working papers. The Council's finance team was helpful throughout the process and responded promptly to our audit queries. We understand that the Council has made a considerable investment in ensuring that the accounts are prepared in an organised and accurate way, and this has achieved significant improvements from previous years.
- We raised a number of proposed adjustments to the accounts throughout the course of our audit. The Council was responsive to these proposed adjustments, and posted a number of them. Unadjusted misstatements relating to the General Fund totalled £0.114 million, unadjusted misstatements relating to the Collection Fund totalled £3.781m, which is below the materiality level of our audit.

## 2. The audit of the accounts (continued)

- We raised a number of recommendations whereby accounting treatment of certain items should be reconsidered, and through which internal control systems could be enhanced. The Council has responded positively to these recommendations, and we will follow up on actions taken in response to them in our 2009/10 audit.

### Audit certificate

When our audit is complete, we are required to certify the closure of the audit. In the case of the 2008/09 accounts, we issued our audit certificate on 30 September 2009.

### Financial Performance

Whilst we are not required to give a separate opinion on the financial performance of the Council, this is particularly pertinent in challenging economic environment within which the Council is required to deliver its services. We do consider financial standing as an element of our audit, and have worked with the Council throughout the year to discuss and consider its approach to addressing challenges that it is facing. There are a number of impacts that the economic environment has had upon the Council, including:

- an increase in demand for services;
- a reduction on the value of the Council's assets; and
- a reduction in interest received on the Council's investments.

We are pleased to report that in the light of these circumstances the Council has had a successful year in managing its finances. The Council was able to freeze its Council Tax levels for local residents in 2009/10. Additionally, the Council was able to increase its total reserves from £31 million to £34 million. This increase in reserves has been a key strategic aim of the Council, and increases its ability to continue to address its ongoing challenges.

The Council set itself a programme of cost efficiencies of £11.3 million in 2008/09, which the Council achieved. A target of a further £14.8m reduction in costs has been set by the Council for 2009/10.

# 3. Value for money conclusion and use of resources assessment

## Value for money conclusion

Under the Code of Audit Practice, we are required to give a 'yes/no' opinion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. This is known as the value for money conclusion and is given within our audit report on the Council's Statement of Accounts.

We issued an unqualified value for money conclusion on 30 September 2009 for the 2008/09 financial year. This means that we are satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.

## Use of Resources

We are required to assess how well the Council manages and uses its resources to deliver value for money and better and sustainable outcomes for local people. This is known as the Use of Resources ("UoR") assessment, which forms part of the Comprehensive Area Assessment (CAA), and comprises three themes that focus on:

- Managing finances - sound and strategic financial management;
- Governing the business - strategic commissioning and good governance; and
- Managing resources - the management of natural resources, assets and people.

The scores for each theme are based on the scores on the underlying key lines of enquiry (KLOE). Each KLOE was scored on a scale of one to four, with four being the best.

Overall, the Council scored a 2 for Use of Resources which classifies the Council as "performing adequately". We have outlined the scores for the key themes in the table below.

### 3. Value for money conclusion and use of resources assessment (continued)

Use of Resources – scores for key themes

Overall Area	Key Lines of Enquiry (KLOE)	KLOE Score	Overall Theme Score
Managing finances	1.1 Planning for financial health	3	3
	1.2 Understanding costs and achieving efficiencies	2	
	1.3 Financial reporting	3	
Governing the business	2.1 Commissioning and procurement	2	2
	2.2 Use of information	2	
	2.3 Good governance	2	
	2.4 Risk management and control	2	
Managing resources	3.1 Natural resources	2	2
	3.2 Strategic asset management	3	

#### Key recommendations arising from the review of the Council’s use of resources

We have raised a number of recommendations which the Council has accepted, and has developed action plans to further improve its use of resources. We have outlined these in detail in a separate report, but highlight the following. The Council needs to:

- Further develop its approach to the risk assessment of data quality indicators;
- Undertake further benchmarking of its performance against other organisations and address areas of underperformance;
- Continue its work to develop and communicate its Environmental Strategy;
- Review its methods for obtaining user involvement when developing its service and strategic priorities; and
- Continue to explore the range of partners it works with and obtains services from, including the third sector.

## 4. Other matters

### Reports issued

Further detailed findings, conclusions and recommendations in the areas covered by our work are included in our reports issued to the Council as follows:

Report	Date issued
Audit Plan on the Accounts	24 September 2008
Interim Use of Resources Report	22 June 2009
Pension Scheme Audit Plan	30 July 2009
Final Use of Resources Report	22 September 2009
Report to the Audit Committee on the 2008/09 audit	22 September 2009
Report to the Audit Committee on the 2008/09 audit of the pension scheme	22 September 2009
<b>Annual Audit Letter</b>	<b>16 December 2009</b>

### Analysis of audit fees

An analysis of audit fees is shown in Appendix 1 to this letter.

### Independence and objectivity

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all applicable regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

### International Financial Reporting Standards

The Council will be required to prepare IFRS compliant accounts for the year-ending 31 March 2011 and therefore comparative IFRS balances for the year from 1 April 2009 to 31 March 2010. The Whole of Government Accounts return for 2009/10 will also be required to be submitted under IFRS.

The Council is making arrangements to enable them to prepare the comparative figures for the 2009/10 financial year. We will continue to discuss the Council's progress at various points during the year.



## 5. Closing remarks and basis of preparation

[This letter has been discussed and agreed with the Chief Executive and Director of Finance of the Council]. A copy of the letter will be presented at the Audit Committee on 16 December 2009.

We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Council's own agenda. We recognise the value of your cooperation and support.

### **Deloitte LLP**

Chartered Accountants  
December 2009

*The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.*

*The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources study data and methodology as they are derived solely from the Audit Commission.*

*This report sets out those audit matters of interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Members and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.*

*This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.*

# Appendix 1: Analysis of professional fees

We have set out below the fees charged in respect of the period 1 April 2008 to 31 March 2009.

	2009 £'000
Statement of Accounts	302
Use of resources and Data Quality	66
Pension fund accounts audit	40
Whole of Government Accounts (WGA)	5
<b>Total fees for work carried out under the Code of Audit Practice</b>	<b>413</b>
Fees payable in respect of the certification of grant claims and returns of the Council (See Note 1)	135
<b>Total</b>	<b>507</b>

Note 1 – Our work relating to the certification of grant claims and returns for the year ending 31 March 2009 is ongoing. The fees included in the table above for this item are an estimate of the full and final fee. We do not expect there to be any significant variance to this once our work is complete.



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