



# Auditor's Annual Report

## London Borough of Hounslow – year ended 31 March 2024

February 2025

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# 01

Introduction

# Introduction

## Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the audit for London Borough of Hounslow (“the Council”) for the year ended 31 March 2024. Although this report is addressed the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 27 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Accounts and Audit Regulations introduced a statutory deadline for publication of the Council’s financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



### Value for Money arrangements

We did not identify any significant weaknesses in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council’s arrangements.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, we are required to complete a programme of work on the Council’s Whole of Government Accounts return and report to the group auditor in line with their instructions. The NAO are yet to provide confirmation on the approach to selecting sampled components. Without this information we are unable to complete our work and issue our certificate which concludes the audit.

The Local Audit and Accountability Act 2014 outlines our additional powers and duties appointed auditor of the Council. These include issuing a report in the public interest, written a recommendations, application for a court declaration, issuing an advisory notice, issuing an application for judicial review or receiving any objections. We have not exercised any of these additional powers.

## Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023/24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 27 February 2025, we have not expressed an opinion on the Council's financial statements. However, we issued an unqualified audit opinion on the financial statements of the Pension Fund.

In Appendix A, we outline the uncorrected misstatements we identified and any internal control recommendations we made.

## Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties, and we have had the full co-operation of management.

# 03

Our work on Value for Money  
arrangements



# VFM arrangements

## Overall Summary








# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- 

**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- 

**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- 

**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page [x].

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria		Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
	Financial sustainability	11	No	No	No
	Governance	14	No	No	No
	Improving economy, efficiency and effectiveness	17	No	No	No

# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

### Background to financial sustainability in 2023/24

At the start of the 2023/24 financial year, the Council was mindful of the considerable financial challenge relating to the uncertainty arising from increased interest rates, the overall economic outlook and future funding levels from Central Government. This was against the backdrop of reduced core funding and increased demands for adult social care, children's services, and inflationary impacts upon costs.

### The Council's financial planning and monitoring arrangements

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2023/24. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

We reviewed the Council's balanced budget for 2023/24, set in February 2023, that showed a total net budget for Council services of £228.7m. This required an increase in council tax of 2.99% (as well as a 2% Adult Social Care precept). Throughout the year, the Council regularly updated its budget forecast, enabling budgets to remain up to date. Through our review of the budget outturn for 2023/24, we noted the final revised budget reported for the year was £258.2m. The Council's financial planning and budgeting arrangements are well established and include a wide range of activities and consultations. The budget setting process includes engagement with senior Council officers via the Corporate Leadership Team, Senior Leadership Team, Directorate Leadership Team and boards such as the Capital Strategy Board. This ensures that discussions about the delivery of statutory services, priorities, service demand changes and the impact on resources have consideration of all relevant factors.

As set out in the budget outturn report presented to Cabinet in July 2024, the Council reported its revenue outturn position for 2023/24 as an overall overspending of £5.3m primarily due to a continuation of the resurgence of demand-led pressures on children's social care and a surge in demand pressures on adult social care. There was also a shortfall in retained business rates income due to the impact of backdated rating appeals submitted during the year. The Council's performance against budget does not highlight a risk of significant weakness in the Council's arrangements for financial planning and monitoring.

Our testing of the Minimum Revenue Provision and Revenue Expenditure funded by Capital Under Statute, did not identify any concerns or one-off measures to mitigate revenue pressures.

The capital programme budget for 2023/24 was £201.6m (of which £137.4m related to the HRA). We reviewed the Statement of Accounts, which shows that the actual capital expenditure for 2023/24 showed slippage of £31.8m on the General Fund and £7.4m on the HRA due to various reasons (e.g. industry challenges, supply chain, procurement, scoping, etc...) During the year, the Council provided regular reports of its financial position to Cabinet. We have reviewed a sample of the reports presented for 2023/24. These reports were sufficiently detailed and incorporate monitoring of the revenue budget, the capital programme, and a wide range of other financial measures to enable oversight of financial performance and support decision making.

Through our review of the Medium-Term Financial Strategy (MTFS), we have ascertained that changes to budget allocations are only made where supporting information is in place around activity and demand. Assumptions around cost and demand, along with projections, are challenged as part of this process. There are contingencies held within the base budget and earmarked reserves set aside for those areas subject to fluctuating demand. Our review of the Medium-Term MTFS approved in July 2022 and the revenue budget for 2023/24 confirms that there were corporate contingencies to manage pressures in areas of fluctuating demand such as adult social care, children's specialist services and SEND transport.



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

### **The Council's arrangements for identifying, managing and monitoring funding gaps and savings**

The Council produces a Medium Term Financial Strategy (MTFS), alternatively known as the One Hounslow Financial Strategy (OHFS), each year alongside its annual budget. The OHFS provides a framework within which the Council undertakes financial planning for its key funds. Estimates of the Council's medium-term budgetary gap are also included in the regular updates of the OHFS. We reviewed the OHFS as approved by Cabinet in July 2022 for the period between 2021/22 and 2024/25, while an update to the OHFS was presented in December 2022 ahead of the 2023/24 financial year. In both instances, it covers a period of four financial years. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the Council, which are consistent with our experience at similar sized authorities and not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

The Council's strategy is underpinned by the plan to address the medium-term savings gap with savings found through the One Hounslow Transformation Programme. However, with the ever-increasing gap, the Council is expanding the savings delivered through this Programme and exploring other avenues to address gaps, including the use of reserves in the short term. The Transformation Programme is extensive, with a governance process that sees progress on the Council's Delivery Plan formally reported to Cabinet on a quarterly basis. The OHFS also revised the grouping of earmarked reserves in such a way as to align with strategic risks, corporate priority programmes in the Delivery Plan, and other operational needs.

Furthermore, there is no indication that the Council's Medium Term Financial Strategy (MTFS) and budget setting process is not aligned to supporting plans.

The Council's Corporate Plan outlines its strategic and statutory priorities. The latest Corporate Plan was approved by the Cabinet in July 2022 and covers the period between 2022/23 and 2025/26. The OHFS aims to support the delivery of the Corporate Plan, and hence seeks to identify savings to address budgetary gaps identified in the Council's finances over the medium-term.

The OHFS also considers the future capital requirements for the organisation to shape the future capital programme and ensure the affordability of any new schemes or programmes is agreed. This ensures that programmes are financed in the best possible way, are affordable, and are prioritised against the Council's Corporate Plan outcomes. Collectively, these processes link financial priorities

and sustainability to the Council's Corporate Plan and extend across the General Fund, Housing Revenue Account and Dedicated Schools Grant Funds.

The Council's budget setting process includes arrangements for consultation and discussion with officers and Members on the assumptions and principles on which the budget is to be based. As part of the budget setting process, the Council explicitly identifies its budget reduction requirements for the following years through detailed consideration of budgetary pressures, funding estimates, and the impact of national and local initiatives and policies. We reviewed a range of budget preparation documents, confirming that the documents were comprehensive and detailed to support the budget preparation process.

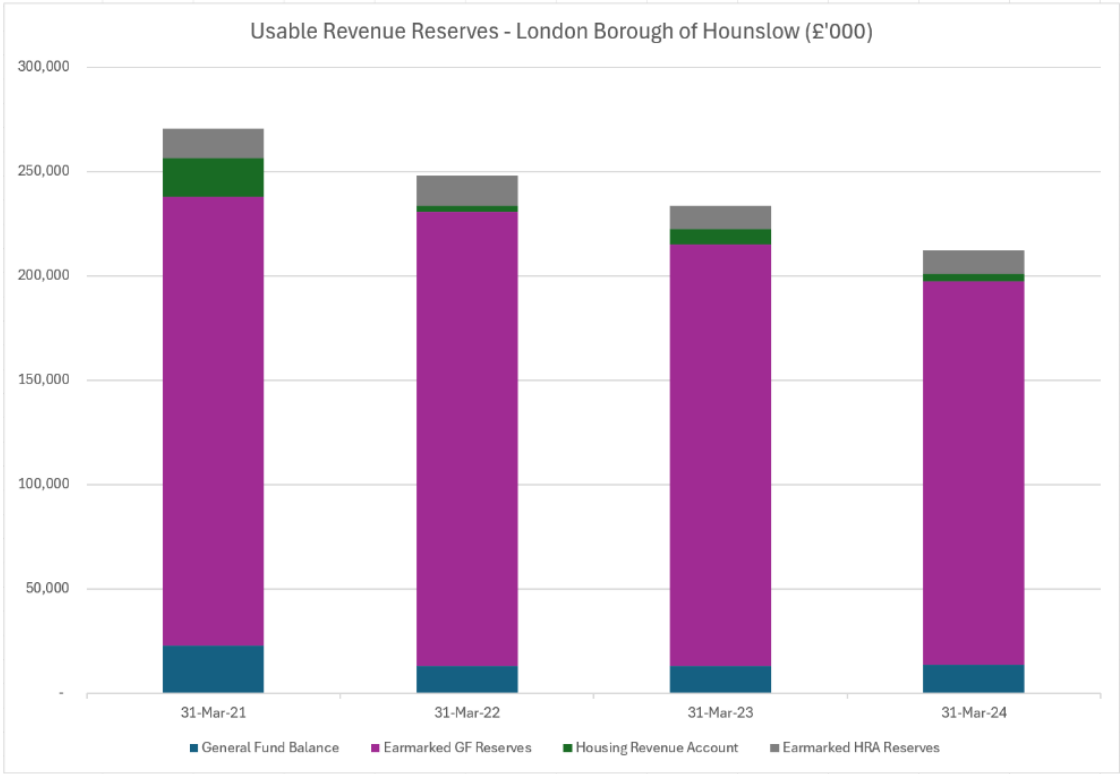
Budget setting is informed by the latest monitoring information available to ensure unplanned changes are considered before the budget is set. However, there continues to be a lot of volatility and change in certain areas which has progressively worsened, such as social care and housing, thereby adding to the financial risks for the organisation. These risks are captured and monitored as appropriate on the Corporate Risk Register which our minute review and attendance at meetings confirms is regularly reviewed by the Audit and Governance Committee. As of December 2023, the weakening of the Council's financial resilience is the only 'High' rated risk on the Corporate Risk Register, with details around the effectiveness of current mitigations and consideration of whether further mitigations are required being included within.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability – continued

The purpose of the Council’s general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council’s revenue reserves over time as shown in the charts below.



Overall, we are satisfied that the Council’s Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability. It is however, an area of particular focus for the Council to consider as part of its 2024/25 outturn and effect on the Medium Term Financial Strategy for 2025/26 onwards and the Council will need to ensure that any use of reserves to smooth the financial position over the next few years is properly planned because the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

### The Council’s arrangements and approach to 2024/25 financial planning

The Council set a balanced budget for 2023/24 and 2024/25 through the use of cumulative savings and the application of the limited additional social care funding provided through the local government. The funding gap increased during both 2023/24 and 2024/25 due to continuing high inflation rates and increased demand for and complexity of services, particularly social care.

In both financial years, the selective application of reserves has also been used as a mechanism to partially bridge the funding gap. In 2023/24, the total use of reserves was £6.9m and this increased significantly to £24.7m for 2024/25. As of early 2025, the Council plans to use reserves again to balance the 2025/26 budget. However, the OHFS update from November 2024 explains that future OHFS updates will include a requirement for these reserves to be replenished over the medium-term. Although the Council has used reserves to balance its budget in recent years, it retains a high level of usable reserves as at 31 March 2024, with a General Fund balance of £13.8m and earmarked General Fund reserves of £183.5m.

Based on the above considerations, we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability.

# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks





# VFM arrangements – Governance

## Overall commentary on Governance

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

### **The Council's risk management and monitoring arrangements**

The Council has a Risk Management Strategy which was approved by the Audit and Governance Committee (A&GC) in early 2022 for the 2022/23 and 2023/24 financial years. The strategy determines that the Corporate Risk Register (CRR) is owned by the Corporate Leadership Team (CLT) and quarterly monitoring reports are reviewed by the A&GC. The Council aims to adopt and embed a robust approach to risk, which brings together business planning, budgets, and delivery. Key corporate risks are identified and refreshed regularly by the CLT, while more operational risks are managed by the relevant team, service or directorate. We have reviewed the Risk Management Strategy and the quarterly monitoring reports from 2023/24. Our review confirms that the Strategy is clear and detailed, and that the Corporate Risk Registers contain sufficient and adequate detail for Council officers and members. Our attendance at the A&GC meetings during the year has confirmed that the Committee understands its role within the risk management framework, providing challenge to management as appropriate.

The A&GC is responsible for review of the Council's Annual Governance Statement. No significant weaknesses in internal control have been identified from our work to date and Internal Audit has not identified or raised any significant concerns. We reviewed the Annual Governance Statement as part of our work on the financial statements with no significant issues arising.

Internal Audit and investigations activity within the Council is delivered under a shared service

arrangement with the London Borough of Ealing. The Internal Audit Team is led by the Head of Audit and Investigations, who provides assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

We have met with management and the Head of Internal Audit during the year, reviewed A&GC reports and attended Committee meetings to observe the performance of Internal Audit and the Committee.

The Internal Audit Plan is presented to the A&GC at the start of each financial year prior to final approval. Key financial audits are undertaken on a rolling three-year programme and other service-based audits are identified annually to form the Internal Audit programme. The programme is identified through discussions with key officers and members, while the Head of Internal Audit also independently identifies areas for review. We have reviewed the Internal Audit plan for 2023/24 and confirmed that it is consistent with the outlined approach. Internal Audit progress reports are presented quarterly to the A&GC, including follow-up reporting on recommendations from their previous reports. From our attendance at meetings, we are satisfied that this allows the Committee to effectively hold management to account.

At the end of each financial year, the Head of Internal Audit provides an opinion based on the work completed during the year. For 2023/24, the Head of Internal Audit concluded that "reasonable assurance could be given that there was a sound system of internal control, which was designed to meet the organisation's objectives, and that controls were applied consistently."

# VFM arrangements – Governance

## Overall commentary on Governance

### Audit and Governance Committee

In our view, good governance forms the foundation of resilient and sustainable organisations and enhances stakeholder confidence.

The Council has an established Audit & Governance Committee that incorporates the functions of an Audit Committee. We have confirmed the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. We have attended Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council's requirements. Based on the work we have performed, the Committee is adequately serviced and attended by officers as required and there is evidence of challenge by members of the Committee.

However, our attendance at committee has identified occasions where discussions have turned to political debate and strayed away from assurance and into scrutiny. Whereas Scrutiny is concerned with the review of policy, its formulation and implementation, audit operates to ensure that the governance and risk environment within the Council is effective and that financial management is fit for purpose.

We are aware the Council is running a process to identify independent members to be in place during 2025, which is consistent with the MHCLG policy paper "Local authority financial reporting and external audit: government response to the independent review" in **December 2020**, which included a recommendation that "The governance arrangements within local authorities be reviewed by local councils with the purpose of... consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee."

In addition, the Local Government Association's Ten questions for audit committees, sets out that:

- "The role of the audit committee is normally to seek assurance that the council's financial reporting, internal controls, governance, and risk management are effective and can be relied upon by councillors and citizens..."

- The audit committee is most effective when it is unencumbered by other tasks, such as scrutiny, 'general purposes' or standards...
- The audit committee is also independent and, as the matters it deals with are normally apolitical, it should rise above politics. The Chair of Audit needs to ensure that the committee is not used to make political points."

# VFM arrangements – Governance

## Overall commentary on Governance - continued

### The Council's arrangements for budget setting and budgetary control

Through our discussions with officers and review of committee minutes and reports, we are aware that the Council follows an annual budget setting process that meets all its statutory (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements. The Council's Monitoring Officer will ensure that agreed procedures are followed and that all applicable statutes and regulations are complied with, while legal advice is sought on the budget report before approval by members. The process follows on from the MTFS process over the summer and autumn months. The overall timetable roughly runs from October to February, during which there is widespread consultation with various stakeholders including officers, Members, local businesses and residents, and other groups and interested parties. There is a detailed budget monitoring timetable to which the Finance Team works to ensure that all reports are produced on a timely basis. We have reviewed the budget setting arrangements through observation and discussions with Officers and no matters have been identified indicating a significant weakness in arrangements.

A detailed financial monitoring report is produced quarterly for the CLT and Cabinet members which outlines the performance against budget and any key variances and issues arising. This report provides variances against budget and the prior reported period so the movement since the previous year is captured. A detailed appendix is provided which outlines the reasons behind the budget variances. There are quarterly informal meetings held with lead Members for each portfolio and the Leader to discuss performance information. Performance in the wider sense (financial and non-financial) is also gathered, analysed, and reported to the CLT and Cabinet on a quarterly basis.

The Council's financial position, as set out in our commentary on financial sustainability arrangements, does not present an immediate risk of significant weakness in arrangements, however there is an increasing need to identify, agree and implement a plan to close the widening the financial gap, including ensuring its subsidiary companies are delivering intended outcomes.

### The Council's decision-making arrangements and control framework

The Council has developed a robust and clear framework of assurance for its governance and internal control which is outlined in its Constitution, Articles, and Financial Regulations. The Council

has recently refreshed its Constitution requiring all staff to abide by the Nolan Principles of Public Life. Members of the Council receive ongoing training and development to ensure they are effectively equipped to undertake their role in financial management of the Council and understand the wider business environment of local government finance. Furthermore, following the most recent elections in May 2022, all Councillors were required to attend compulsory sessions around the Code of Conduct and standards, whether elected for the first time or re-elected.

Significant matters relevant to the Council's Capital Strategy are reviewed through the Capital Strategy Board (CSB) which meets monthly. These arrangements are outlined in the Capital Strategy which is refreshed annually as part of the budget setting process. The Council has an embedded project and programme methodology, with governance through CSB from the mandate stage through to the requirement for a full business case to be approved by Cabinet.

The Council's decision-making arrangements are established in the Council's constitution. Decisions are either made by members (Full Council, Cabinet, or other decision-making committees) or delegated to Cabinet portfolio leads, or officers. All Cabinet and key decision reports include statutory officer comments, risks, and an assessment of financial impacts and other key impact areas such as risk management, value for money, legal, workforce, property, and sustainability. The Overview and Scrutiny Committee (O&SC) exists to ensure that there is effective and timely scrutiny of Council policy, budget and authority-wide performance. It can call in any decisions made by Cabinet and it is the principal non-Executive grouping holding the Cabinet to account, especially on budget and financial strategy matters. The Overview and Scrutiny Committee's Annual Report is considered by Full Council.

The final revenue and capital outturn is reported to the CLT and Cabinet each year, feeding into the preparation of the Council's draft annual Statement of Accounts. Although we intend to issue a disclaimed audit report, from the work we have performed, we have not identified a risk of significant weakness in the Council's arrangements for financial reporting.

**Based on the above considerations, we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.**



# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

### **The Council's arrangements for assessing performance and evaluating service delivery**

The Council's arrangements are consistent with the prior year, which were deemed adequate.

The Council prepares performance and budget monitoring reports which are presented to senior officers, Cabinet and the Overview & Scrutiny Committee. The Cabinet receives detailed budget monitoring reports on a quarterly basis, providing Members with updated forecasts of the Council's financial position. During 2023/24, budget monitoring reports provided information about the financial pressures being experienced and their impact on the Council's financial and operational performance. Within the General Fund revenue budget, this highlighted new or increased service demands in the different directorates. A performance report of various service performance measures is also captured on a quarterly basis and reported to Cabinet. The reports demonstrate specific progress towards the Council's Corporate Plan outcomes. We have reviewed the Q3 Performance Monitoring Report presented to Cabinet in March 2024. Resulting actions from this performance monitoring process include the establishment of the HRA Recovery Board in response to the 2023/24 outturn position of the HRA.

There are six-weekly Finance and Performance meetings held for each directorate to discuss, review and challenge the financial performance data for each service area. These are attended by the Chief Executive, Assistant Chief Executive, Executive Director for the relevant portfolio and their Director/Assistant Director reportees, together with finance and performance representatives. These meetings review financial and non-financial data and review where there are issues emerging which need to be addressed. The agendas for these are under continuous review and are aligned to the priorities of the One Hounslow Financial Strategy and Medium-Term Financial Strategy.

In November 2023, Cabinet approved changes to the Council's leadership and directorate structure.

This involved the dissolution of the Environment, Culture and Customer Services directorate and the redistribution of its functions amongst three existing directorates, two of which were renamed as a result. We have reviewed the relevant Cabinet Report which outlines how questions of sustainability have been considered, as well as how appropriate governance procedures have been followed. It is also made clear that part of the intention behind the restructuring is to streamline leadership to provide better value for money.

### **The Council's arrangements for effective partnership working**

The Council holds regular meetings with its partners to review performance and ensure actions are taken where improvement is required. Any significant issues or concerns arising from the meetings are escalated to the CLT by the appropriate Executive Director. Each Directorate Lead is responsible for managing their own relationships with key partners and engaging with the relevant stakeholders. This generally involves agreed terms of reference or a memorandum of understanding between the parties, as well as a set of KPIs and performance standards expected through the partnership. The Council's key partnerships include Liberata, a third-party provider of revenues and benefits, finance processing and payroll services, the Council's trading subsidiaries (members of the Lampton Group) and the NHS North West London Integrated Care Board.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness - continued

The Council has arrangements in place to manage its relationship with the Lampton subsidiary companies of which it is the 100% owner. In November 2023, the Council refreshed its governance arrangements with Lampton, agreeing on a new 'strategic intent' document against which value for money is to be appraised, updating the companies' Articles of Association, and establishing a Shareholder Committee which allows the Council to effectively exercise its shareholder functions and provide strategic oversight and guidance to ensure that the objectives of both the Council and the companies can be met and monitored. The Leader and Deputy Leader of the Council and the Chief Executive all sit on the Shareholder Committee, which had its first meeting on 15 February 2024. The Cabinet also receives Companies Performance Reports on a quarterly basis, ensuring that there is an extra layer of governance from the Executive.

From our discussions with officers, there is no evidence of a significant weakness in arrangements, however this strengthening of governance and formalising arrangements between the Council and its subsidiaries will need become embedded into standard working practices, ensuring the Council understands its role as shareholder. This includes appropriate challenge over business strategy and financing as well as contract management and oversight of service level agreements.

The Council is party to a pooling of funds with NHS North West London Integrated Care Board and operates joint scrutiny to oversee the joint working arrangements. The Council is a member of the North West London Joint Health and Overview Scrutiny Committee (JHOSC) which is made up of Councillors from the relevant boroughs from North West London. The Committee meets regularly and deals with matters concerning the NHS that affect Hounslow residents. We have confirmed through a review of the minutes of the JHOSC that this arrangements were in place during 2023-24.

### The Council's arrangements for procurement and commissioning services

The Council's Constitution contains its Contract Procedure Rules which were most recently updated in October 2024. The Rules are updated every two to three years and transpose the detailed requirements of UK procurement policy and law into a set of internal rules that govern the procurement process within the Council from conception to competition. The Rules include provision for 'Responsible Procurement' whereby Social Value and Environmental evaluation criteria must comprise at least 10% of the consideration behind all contracts which exceed £30,000 in value and initially last longer than six months. We have reviewed the Procedure Rules and they

appear comprehensive.

Each year, an Annual Procurement Plan (APP) is approved by Full Council, alongside the budget, which sets out the procurement which is likely to be carried out during the year for each service area, as well as the duration, value and approval route for each contract. The APP acts as a strategic forward plan for the Procurement Team, allowing them time to plan well in advance of any procurement commencing. In line with the Contract Procedure Rules, each awarded contract above £30,000 must be approved the Head of Service, a Finance Manager, the Head of Procurement and either the Head of Service or Director. This is a Gateway process to ensure that procurements have been compliantly undertaken and that matters of Best Value and Value for Money are assessed.

**Based on the above considerations, we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency, and effectiveness.**

Other reporting responsibilities



# Other reporting responsibilities

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data of sampled components. The NAO is yet to provide confirmation of its approach to selecting sampled components. Without this information, we are unable to complete our work or issue our audit certificate which signals the conclusion of the audit.

Audit fees and other services

# Audit fees and other services

## Fees for our work as the Council's auditor

PSAA set the scale fee for the Council's 2023/24 audit at £383,131. They have yet to determine an appropriate fee to carry out the procedures required to issue a disclaimed audit opinion. In determining a final proportion of the scale fee to be claimed, we will consider the resources expended to carry out the minimum backstop procedures and our full value for money responsibilities. Once PSAA have made their determination, we will discuss and agree our final fees with the Executive Director of Finance and Resources.

## Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

# Audit of London Borough of Hounslow Pension Fund

## Summary of key information

As the auditor for London Borough of Hounslow Pension Fund ('the Pension Fund'), our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). This section of the AAR summarises how we have discharged these responsibilities and the findings from our work we have undertaken as the Pension Fund auditor for the year ended 31 March 2024.



**Opinion on the Pension Fund financial statements**  
We issued our audit report on 27 February 2025. Our opinion on the financial statements was unqualified.



**Consistency report**  
We concluded that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of London Borough of Hounslow.



**Wider responsibilities**  
We have not exercised any of these powers as part of London Borough of Hounslow Pension Fund's 2023/24 audit.



**Risks, misstatements and internal control recommendations**  
A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix B.

## Fees for our work as the Pension Fund's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee on 14 January 2025. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows.

Area of work	2023/24 fees	2022/23 fees
PSAA Scale audit fee	£69,306	£17,011
Additional fees in respect of:		
- Accounting estimates	Now included in scale fee	£1,500
- IAS 19 assurances	Now included in scale fee	£2,500
- ISA 315 revised	£7,840	£0
Total fees	£77,146	£21,011

## Fees for other work

We confirm that we have not undertaken any non-audit services for the Pension Fund in the year.

# Appendices

Appendix A: Further information on our audit of the Council's financial statements

Appendix B: Further information on our audit of the Pension Fund financial statements

## Appendix A: Further information on our audit of the Council's financial Statements

### **Summary of uncorrected misstatements for the Council**

There are no uncorrected misstatements for us to report.

### **Internal control observations for the Council**

We have not made any internal control observations during the audit.

# Internal control conclusions

## Follow up on previous year recommendations for the Council

### Inadequacies with record-keeping for fixed assets

#### Description of deficiency

During 2022/23, we identified issues with management’s record-keeping for fixed assets, with much of this deriving from the unreconciled state of the fixed asset register, which in turn has been impacted by multiple years of financial statements being open and the protracted nature of the audits of these financial statements. The issues suggest a deficiency in the Council’s expected controls around record keeping and the fixed asset register.

#### Potential effects

The property, plant and equipment disclosures within the Council’s financial statements may be materially misstated and management may find itself unable to arrive at and justify a reasonable valuation for its asset base. The issues with record-keeping, particularly those identified in relation to schools, may also lead to administrative or operational issues.

#### Recommendation

Management should review their processes for ensuring that appropriate records are maintained for individual assets to be able to arrive at a sufficiently accurate valuation for each asset. This should involve multiple stages of review to provide quality assurance.

#### Current position

**Open:** While we have conducted a high-level review of the fixed asset register for 2023/24, due to the impact of the statutory backstop, we have not performed the necessary detailed audit procedures to obtain assurance as to whether the changes to the fixed asset register have resulted in the prior year recommendation being substantively addressed.

#### Management response

2022/23: Maintenance of the asset register has not been aided by having multiple years of audits open, and this can only properly be addressed within current systems once the audited values have been concluded in advance of closing for the following financial year. Changes to asset reporting requirements over this same period, especially in relation to highways infrastructure assets, mean that significant changes will be required to our asset register to ensure a consistent reconciliation. For the 2024/25 accounts, the Council will also review its record-keeping on the asset register.

2023/24 Update: We have updated and consolidated the asset register for production of the 2023/24 Statement of Accounts. Initial data cleansing work has been performed in advance of the 31 March 2025 balance sheet date, and further procedures will be implemented prior to production of the 2024/25 Statement of Accounts.



# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Procedural arrangements relating to the revaluation of fixed assets

#### Description of deficiency

During 2022/23, we identified issues with the Council’s valuation methodology and information provided by the Council to its external valuer. The issues suggest a deficiency in the Council’s expected controls around the valuation of its fixed assets.

#### Potential effects

The property, plant and equipment disclosures within the Council’s financial statements may be materially misstated and management may find itself unable to arrive at and justify a reasonable valuation for its asset base.

#### Recommendation

Management should ensure that they review the work of their external valuer, provide the valuer with latest comprehensive information for all assets that are valued and ensure compliance with the Code for the valuation of its other land and buildings.

#### Current position

**Open:** Management has embedded changes into their approach towards engaging with their external valuers, including asking them to physically verify some assets in person. However, due to the impact of the statutory backstop, we have not performed the necessary audit procedures to obtain assurance as to whether these changes have resulted in the prior year recommendation being addressed.

#### Management response

2022/23: The ability to adequately plan, perform and review valuations has also been negatively impacted upon by the delays in concluding prior year audits. With the backlog of accounts audits now cleared, the council will put in place additional checks and analytical review processes prior to the finalisation of asset values that are included in the Statement of Accounts. The Council will also review the approach taken to asset valuations, exploring physical verification and valuation in addition to the desktop valuation methodologies for valuations feeding into the Statement of Accounts 2024/25. An exercise to ensure that the Council’s asset management systems have the most up to data (GIA) stored in the system that can be readily available for both valuers and auditors will be reviewed. The remaining assets that were carried at historic cost have been revalued as part of preparation of the 2023/24 Statement of Accounts.

2023/24 Update: Fixed asset valuations have been commissioned in advance of production of the 2024/25 Statement of Accounts, which includes enhancements to the valuation process included physical verification (as above), and improved quality control over data provided to the valuers. Further procedures for review and checking of valuation results will be introduced as part of preparation of the 2024/25 Statement of Accounts.

# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Year-end controls around recognition of transactions in the correct financial year

#### Description of deficiency

During 2022/23, we identified two instances where the Council recognised transactions in the incorrect financial year – one related to capital accruals and the other concerned invoices in relation to goods or services not yet received. The issues suggest a deficiency in the Council's guidance to and training of staff to ensure that transactions close to the year end are accounted for in the correct financial year.

#### Potential effects

Incorrect accounting and presentation of financial transactions across financial years.

#### Recommendation

Provide clearer guidance and training to staff on the recognition of year end transactions in the correct financial year.

#### Current position

**Open:** Although management has demonstrated to us that updated guidance on accounting for accruals has been shared with relevant colleagues, due to the impact of the statutory backstop, we have not performed the necessary audit procedures to obtain assurance as to whether or not this guidance has been implemented in practice.

#### Management response

2022/23: The early closedown requirements for preparing accounts required local authorities to adapt their processes at year end, requiring a different approach to accruals. There is also judgement and consideration of materiality taken by officers in their approach to this at year end. The Council's closing guidance and training to officers involved in these processes will be strengthened to ensure that this covers cut-off implications of transactions overlapping a year end and the requirement to check at source prior to journals being processed.

2023/24 Update: Updated guidance to colleagues involved in the identification and preparation of accruals and supporting briefings are being prepared in advance of closure of accounts for 2024/25.

# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Incomplete reconciliation of HRA rental income

#### Description of deficiency

While auditing the Council’s short-term debtors balance during 2022/23, we requested a breakdown of amounts owed to the Council for HRA rents. We identified a variance of £985k between the debtors balance included within the general ledger and the balance reported in the financial statements, and the balance within the breakdown with which we were provided. The Council was unable to provide evidence of a reconciliation having been performed between the two figures, pointing to a deficiency in internal control in relation to the performance and retention of reconciliations of general ledger balances to underlying records.

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#### Potential effects

The balances reported by the Council within the financial statements may be misstated in comparison with the relevant underlying records.

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#### Recommendation

Full reconciliations should be completed for all significant account balances and evidence of these reconciliations should be retained for an appropriate period of time.

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#### Current position

**Open:** We have corroborated management’s assertion that HRA rent debtors have been migrated to a new system. However, due to the impact of the statutory backstop, we have not performed the necessary audit procedures to obtain assurance that the reconciliation of HRA rental income has been completed in a way that addresses the prior year recommendation.

#### Management response

2022/23: We have subsequently migrated to a new housing rents system (NEC) during 2023/24. This has improved reporting and we have been able to significantly reduce the variance between customer debtor listing and the customer debtors ledger balance at 2023/24 year end. We will need to refresh the reconciliation following the implementation of the new system.

2023/24 Update: As above, we have now fully migrated HRA rent debtors to NEC, enabling us to perform the necessary reconciliations to this new system.

# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Journal entries with no description

#### Description of deficiency

During our journals testing in 2022/23, we identified 430 journal lines which did not include a description within the relevant column. Although we have performed audit work to be sufficiently satisfied in relation to the risk of fraud due to management override of controls for these specific journals, the Council has confirmed that scope exists within their accounting system for journal entries to be posted without a description.

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#### Potential effects

If journals are posted without a description, this elevates the risk of fraud or error in financial reporting as it may be difficult to identify the original business purpose of a journal entry, make corrections to journal entries when required, or know whether a transaction has already been posted, which could possibly lead to transactions being double-counted.

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#### Recommendation

The Council should explore mandating the inclusion of text within the description column of journals as a requirement within their system. If this is not possible, the Council should regularly monitor and investigate journal entries which are posted without a description.

---

#### Current position

**Open:** Although management has demonstrated to us that updated guidance on journal descriptions has been shared with relevant colleagues, due to the impact of the statutory backstop, we have not performed the necessary audit procedures to obtain assurance as to whether or not this guidance has been implemented in practice.

#### Management response

2022/23: Robust controls currently exist in relation to preparation, review and posting of journals, including: review of journal by appropriate specified approvers, segregation of duties and data validation within the journal template. However, we accept the audit observation that the financial system permits the posting of journals without an adequate description. The Council has recently conducted a refresh of the Journals process and has updated its Standard Operating Procedures to reiterate that all journals should be posted with a clear, description stating the journal's purpose. Exceptions will be identified and corrected as part of the journal review process.

2023/24 Update: Robust controls currently exist in relation to preparation, review and posting of journals, including: review of journal by appropriate specified approvers, segregation of duties and data validation within the journal template. However, we accept the audit observation that the financial system permits the posting of journals without an adequate description. The Council completed a refresh of the Journals process in July 2024 including an update to its Standard Operating Procedures to reiterate that all journals should be posted with a clear, description stating the journal's purpose. Exceptions will be identified and corrected as part of the journal review process.

# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Fixed Assets Register and the value in accounts

#### Description of deficiency

The Council maintains its fixed assets register on asset.net and during the 2021/22 audit, we noted that the Property, Plant, and Equipment (PPE) note in the accounts was consistently not reconciled with the Fixed Asset Register until the end of audit (fieldwork commenced in September 2022 and concluded in November 2023). When it was provided, the reconciliation was difficult to follow as it included many material subsequent adjustments pulled from a variety of different workings. This contributed to the delay in completion of audit field work.

The same issue was identified during 2022/23. The Council continues to maintain an incomplete central fixed asset register where the opening balances do not agree to the previous year's financial statements, making it difficult for both management and the audit team to ensure that the Council's records and the disclosures in their financial statements are accurate.

#### Potential effects

The absence of a reconciliation between the general ledger and the fixed asset register increases the risk of material misstatement in the accounts.

#### Recommendation

The Council should ensure that it carries out reconciliations between the general ledger and the fixed asset register during the year to help ensure a smoother and more timely reconciliation to support the year end accounts.

#### Current position

**Open:** While we have conducted a high-level review of the fixed asset register for 2023/24, due to the impact of the statutory backstop, we have not performed the necessary detailed audit procedures to obtain assurance as to whether the changes to the fixed asset register have resulted in the prior year recommendation being substantively addressed.

#### Management response

2022/23: Maintenance of the asset register has not been aided by having multiple years of audits open, which is expected to be less of an issue going forward. However, changes to asset reporting requirements over this same period, especially in relation to highways infrastructure assets, means that significant changes will be required to our asset register to ensure a consistent reconciliation. We will also consider whether there are alternative systems that could be used to hold asset valuation data in line with the Council's asset data strategy.

2023/24 Update: We have updated and consolidated the asset register for production of the 2023/24 Statement of Accounts, and reconciled this in totality to the financial ledger. Further work will be undertaken in preparation for the 2024/25 Statement of Accounts to review the presentation of assets in the financial system which will improve the reconciliation process going forwards.

# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Unreconciled balance in the Icon suspense account

#### Description of deficiency

The Council maintains Icon suspense accounts wherein all collections of income from residents are first credited upon receipt of funds and are later allocated/transferred to the relevant income account. As of 31 March 2022 draft accounts, there was a balance of £4m in this account and the Council cleared £3.5m of the balance during the audit. The Council was unable to reconcile the remaining £0.5m which was reported as an unadjusted misstatement.

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#### Potential effects

Incorrect presentation of income and liabilities as at the year end to the extent of amount lying in the Icon suspense account.

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#### Recommendation

The Icon suspense should periodically be reconciled and there should not be any balance in this account at the year end.

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#### Current position

**Open:** Management has indicated that an unreconciled balance remains on the Icon suspense account as at 31 March 2024.

#### Management response

2022-23: It is unrealistic to expect the balance on the Icon suspense account to be nil at year end, but work remains ongoing to review and reallocate transactions posted to the suspense account throughout the year.

2023-24 Update: As per previous response, it remains unrealistic to expect the balance on the Icon suspense account to be nil at year end, but work remains ongoing to review and reallocate transactions posted to the suspense account throughout the year.

# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Accounting of money held for third parties

#### Description of deficiency

The Council manages around £7 million of funds on behalf of vulnerable residents under a number of deputyships and appointeeships. These funds are administered out of two bank accounts, with one for deputyships and one for appointeeships. As the funds are not the Council's, they do not qualify to be recognised as assets on the Balance Sheet. However, some balances with similar characteristics (netting to £63k) were initially recognised as a reduction to the Council's bank overdraft on the Balance Sheet via a number of cost centres. The descriptions of most of these cost centres included the names of the individual residents to which the funds pertained, often holding very trivial amounts, indicating that the administration of these third-party cash balances was poor and haphazard, rather than being done through a single consolidated cost centre. After requesting evidence to support the classification for one of these cost centres, we identified that these funds had been transferred into the deputyship bank account and that the balance on the cost centre was therefore incorrect and had not been appropriately updated to exclude these funds from the Balance Sheet.

#### Potential effects

Overstatement of the Council's assets and inadequate administration of deputyship and appointeeship balances held by the Council.

#### Recommendation

A full reconciliation should be performed for each of the relevant cost centre to ensure that funds that the Council does not control are not recognised on its balance sheet and to ensure that the correct bank overdraft balance is arrived at. Any remaining cost centres which qualify to be recognised on the balance sheet should be consolidated into a single cost centre to avoid similar mistakes in future and to ease the reconciliation process going forward.

#### Current position

**Open:** Management has asserted that this issue has been corrected in the 2023/24 Statement of Accounts. However, due to the impact of the statutory backstop, we have not performed the necessary detailed audit procedures to obtain assurance as to whether the prior year recommendation has been substantively addressed.

#### Updated management response

2022-23: This will be actioned in the 2023/24 Statement of Accounts

2023-24 Update: This was actioned in the 2023/24 Statement of Accounts.



# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Bank reconciliation

#### Description of deficiency

The bank reconciliation process used by the Council is complex, involving a series of manual amendments some of which are significant in value. In the 20/21 accounts, the overall bank reconciliation has an unreconciled difference of £1.7m, which although not material we recommend is reviewed, reconciled and cleared. The errors are not material individually or in aggregate and are set out in the unadjusted misstatement schedule in section 6. The amount unreconciled difference as of 31 March 2022 was reduced to £0.98m.

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#### Potential effects

The complexity of the bank reconciliation process coupled with the large number of manual amendments, increases the risk of manual errors arising in the process.

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#### Recommendation

We understand that the Council is already reviewing the bank reconciliation process and how it can be improved. We recommend that the Council considers how the bank reconciliation is presented and also explore ways to minimise the need for officers to manually allocate the double entries referred to above.

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#### Current position

**Open:** Management’s response indicates that there is still an unreconciled balance in the Council’s bank reconciliation.

#### Management response

2022-23:The Council has had a stable steady balance in its bank reconciliation, post the audit work completed on the bank reconciliation, providing assurance that this balance is likely a historical difference. We will be in a position to clear this from this account once our work concludes on the review of our payroll reconciliations.

2023-24 Update: No changes in comparison with management’s response during 2022-23.

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# Internal control conclusions

## Follow up on previous year recommendations for the Council (continued)

### Accounting of infrastructure assets

#### Description of deficiency

Pursuant to the release of CIPFA guidance in January 2023, the Council componentises its infrastructure assets into six sub-components. The opening balance of the infrastructure as at 01 April 2020 was componentised based on the records maintained by the Hounslow Highways, the third-party maintenance company engagement by the Council for maintenance highways. The cost incurred during 2020-21 was componentised on the basis of Capital Expenditure Outrun return for the financial year. Though the Council has managed to componentise the infrastructure assets basis the internal/external records for 5 components, but it could not identify the costs attributable to one component i.e. Traffic Management system as the details thereof was not captured in the data maintained by Hounslow Highways and also in the Council Capital Expenditure Outrun return.

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#### Potential effects

Incorrect classification of costs assigned to different components of infrastructure assets prescribed in CIPFA guidance.

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#### Recommendation

The Council should start accounting for the expenditure incurred on different components of infrastructure assets in the general ledger at the time of booking the expenditure from contractor's invoices.

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#### Current position

**Open:** While we have conducted a high-level review of the Council's in-year fixed asset transactions, due to the impact of the statutory backstop, we have not performed the necessary detailed audit procedures to obtain assurance as to whether the changes to the fixed asset register have resulted in the prior year recommendation being substantively addressed.

#### Management response

2022-23: Whilst technically depreciation of highways infrastructure assets can be calculated without implementing this recommendation, we are investigating cost-effective methods of implementation for the year ending 31 March 2024.

2023-24 Update: The recommendation has been integrated into the council's processes for identifying and recording additions to fixed assets.

# Appendix B: Further information on our audit of the Pension Fund’s financial statements

## Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit of London Borough of Hounslow Pension Fund. These findings include

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

## Significant risk – management override of controls

### Description of risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

### Our audit response

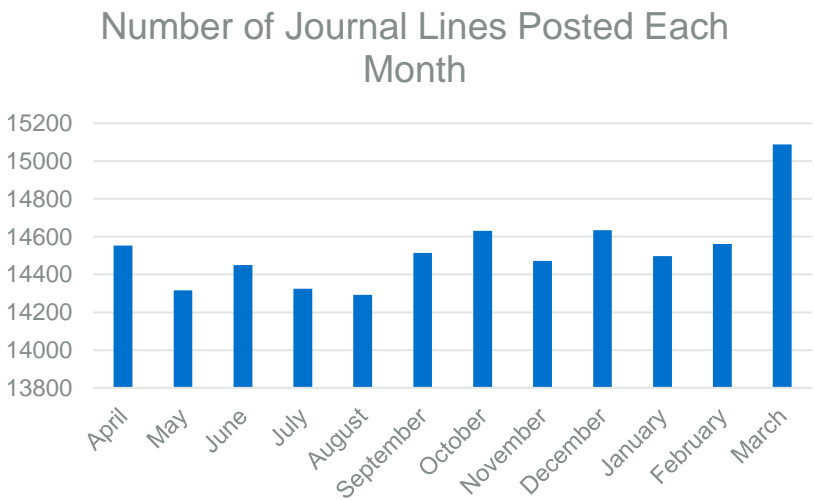
We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
- Our work on journals included identifying and analysing the total population of journals posted by the Pension Fund during the year and as part of the account's preparation process. We identified a range of fraud risk factors that we then applied to the population and tested the validity of any journals that we identified for testing.

# Appendix B: Further information on our audit of the Pension Fund’s financial statements

## Analysis of work performed

The analysis below details the Pension Fund’s posting pattern for the number of journal lines posted to the general ledger during each month of the financial year.



In total, 174,336 lines were manually posted to the ledger. The analysis above demonstrates a relative peak in the final month due to journals being posted as part of the year end accounts closedown process. We assessed all journal lines against our fraud risk criteria, with this analysis returning 211 lines or 0.12% of all journal lines posted during the year. We performed tests of detail on these lines which involved agreeing them back to underlying documentation. This work did not identify any instances of fraud due to management override of controls.

Following the completion of our audit work, we performed a full ‘stand back’ assessment of material accounting estimates, none of which display characteristics which are indicative of management bias. We have not identified any significant transactions outside the normal course of business.

## Audit conclusion

We have completed our planned procedures. Based on the work we have performed, we have found no evidence of fraud due to management override of controls.

# Appendix B: Further information on our audit of the Pension Fund’s financial statements

## Significant risk – valuation of investments within level 3 of the fair value hierarchy

### Description of risk

At 31 March 2024, the Pension Fund held investments valued within Level 3 of the fair value hierarchy with a fair value of £73.7 million, accounting for 5.6% of the Fund’s net investment assets. Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement, assumptions and unobservable inputs to be made when valuing them at year end. As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.

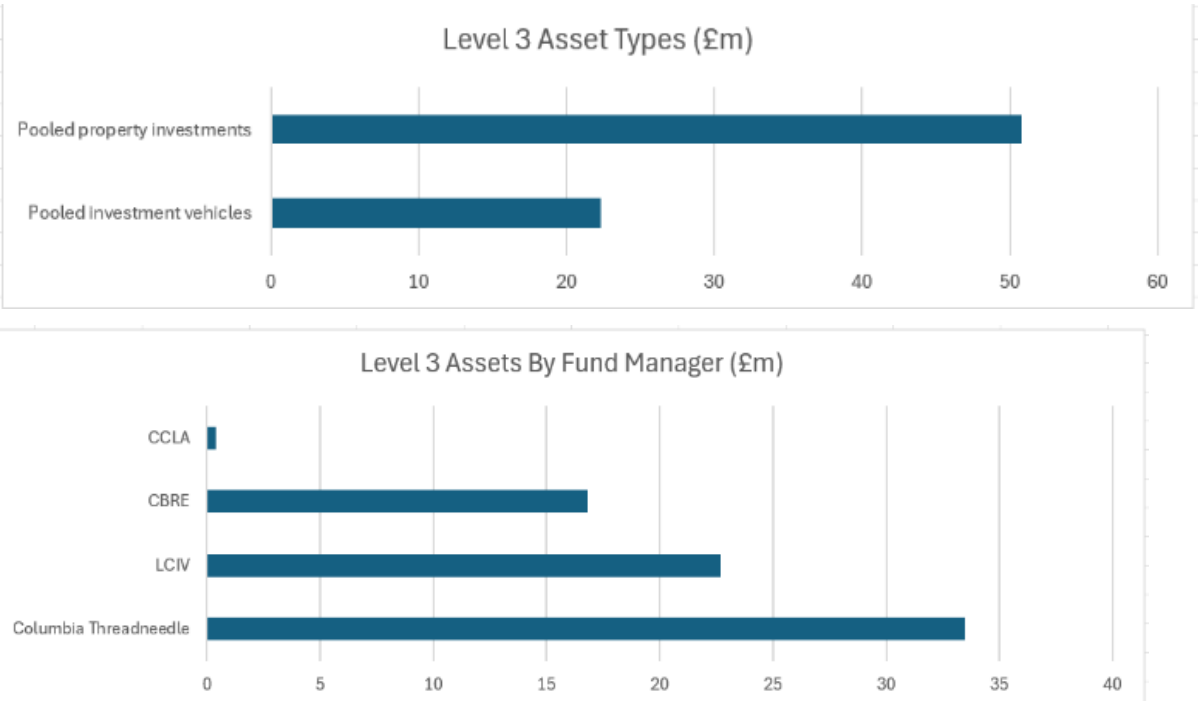
### Our audit response

We addressed this risk by completing the following additional procedures:

- confirmed that the investment valuations disclosed in the accounts are consistent with quoted prices taken from active markets;
- obtained confirmations of valuations directly from investment fund managers and agreed their valuations to the figures disclosed in the accounts;
- obtained fund manager ISAE 3402 Control Reports, confirming that the assets have been independently valued and reviewing for any exceptions which may impact the Pension Fund’s investment asset valuations to inform further procedures if necessary (we are not relying on these reports); and
- agreed the Pension Fund’s share of the fund to the fund’s net assets held within their audited financial statements.

### Analysis of work performed

The Pension Fund’s investment asset portfolio comprises of two main types of asset. These are held by four separate fund managers; these being CBRE, CCLA, Columbia Threadneedle and LCIV. We summarise the balances of each class of investment asset and holding by manager:



We have tested 100% of this population, completing all our procedures as planned.

### Audit conclusion

We have completed our planned procedures and have no matters to report in respect of this risk.

# Appendix B: Further information on our audit of the Pension Fund's financial statements

## Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2023/24 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances. During the audit, there was a minor amendment to the Fund's accounting policies in relation to the value of the Fund's investment in the London Collective Investment Vehicle (LCIV) being held at cost as a proxy for fair value.

Draft accounts were received from the Fund on 21 November 2024 and were of a good quality. In line with previous years, the Fund has continued its strong track record of providing clear and accurate working papers alongside the draft accounts.

## Significant matters discussed with management

During our audit, we did not communicate any significant matters to management.

## Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2023/24 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

## Appendix B: Further information on our audit of the Pension Fund's financial statements

### **Summary of uncorrected misstatements for the Pension Fund**

There are no uncorrected misstatements for us to report.

### **Internal control observations for the Pension Fund**

We have not made any internal control observations during the audit.

### **Follow up on previous year recommendations for the Pension Fund**

There were no internal control observations brought forward from previous years which needed to be followed up during the 2023-24 audit.

# Contact

## Forvis Mazars

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Audit Partner

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: GB 839 8356 73

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