

London Borough of Harrow

Annual Audit Letter to the
Members of the Council
for the year ended

31 March 2014

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Executive summary

We are required to provide an annual audit letter which reports our conclusions from the audit of the London Borough of Harrow ("the Council") for the year ended 31 March 2014. This executive summary highlights the most significant matters which we would like to bring to your attention; it should therefore be read in conjunction with the following sections of the letter:

Financial statements

We issued an unqualified opinion on the Council's accounts for the year ended 31 March 2014.

At the same time we issued our opinion, we issued our audit certificate. We were able to do this in the absence of receiving any potential objections to the year ended 31 March 2014 accounts and because our work on the whole of government accounts return and other work specified in the Code was complete.

In September 2014 we also issued our certificate on the 31 March 2013 accounts having completed our work on potential objections received in relation to that year of account.

The Council's local government pension scheme annual report

We issued an unqualified opinion on information in the Council's pension scheme annual report for the year ended 31 March 2014.

Value for money conclusion

We issued an unqualified conclusion on the Council's arrangements for securing value for money during the year ended 31 March 2014.

Whole of Government Accounts consolidation return

We have completed our work and issued our assurance statement, which was unqualified.

Grants

We undertake work on grant claims and other returns on behalf of the Audit Commission and provide certificates to grant funders on compliance with aspects of the terms on which funds have been claimed. We will provide a separate, detailed letter to the Council in early 2015 on the outcome of this work, but at this point there are no matters which we consider need to be brought to your attention.

There are no individually significant recommendations which we wish to bring to Members' attention here.

1. Introduction

The purpose of this letter

The purpose of this Annual Audit Letter (“Letter”) is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Council as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

The Letter will be published on the Audit Commission website at www.audit-commission.gov.uk and should also be posted on the Council’s website.

Responsibilities of the Appointed Auditor and the Council and scope of our work

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.

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 your appointed 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 review and report on:

- the Council financial statements;
- the Council’s local government pension scheme annual report; and
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

We also provide an assurance report to the National Audit Office on the financial information prepared by the Council for consolidation into the Whole of Government Accounts.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

As an additional responsibility to those set out in the Code, we also undertake grant certification work on behalf of the Audit Commission.

2. Financial reporting

Key issues arising from the audit of the accounts

We have issued a separate report for the year ended 31 March 2014, which details the findings from our audit of the financial statements and the Council's value for money arrangements.

In that report we explained how we focused our work on areas which involved more complex accounting judgements and estimation including:

- accounting for grant income;
- management override of control;
- valuation of property; and
- valuation of the local government pension fund liability.

We did not identify any significant issues in the course of our testing of these areas.

Our report to the Governance, Audit, Risk Management and Standards Committee also includes some recommendations to assist with future financial control and reporting. These recommendations are in respect of: procedural improvements in relation to property valuations based on best practice seen elsewhere; ensuring that infrastructure assets are suitably identified on records retained by both the operational and finance departments; ensuring debit items are cleared in a timely manner from the creditors ledger; and formalising guidance on usage of cost centres to ensure consistency of approach across the authority.

Key issues arising from the audit of the pension scheme accounts within the pension scheme annual report

We have reported separately to the Governance, Audit and Risk Management Committee in respect of the work we performed on the pension scheme. We have issued an unqualified opinion on the pension scheme accounts within the pension scheme annual report.

Whole of Government Accounts

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice 2010 to review and report on the whole of government accounts return. Our report is used by the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts. We have issued our unqualified opinion in this regard.

Issue of audit certificate

We have issued our audit certificate for the year ended 31 March 2014.

3. Value for money conclusion

The scope of our work

We are required to issue a conclusion on whether we are satisfied that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Our conclusion is given in relation to the following criteria specified by the Audit Commission:

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2013
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Approach to our work

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

- the audited body's system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on the our responsibilities;
- any work mandated by the Commission – of which there was none in 2012/13; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge our responsibilities.

Risk assessment

We undertook a risk assessment to identify potential risks to the value for money conclusion. Based on this work, we considered that the following could be risks for VFM. We undertook further procedures in relation to these to ensure that the risks arising in these areas have been mitigated by the arrangements in place within the Authority:

- low level of general reserves;
- future funding gaps; and
- impact of deletion of CEO post and potential for reinstatement.

Overall conclusion

On the basis of the work performed in relation to the risks above, and having considered control weaknesses identified in the course of our audit, we issued an unqualified VFM conclusion having determined that neither the identified risks nor the identified control weaknesses would impact this.

4. Grants

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by Central Government or a Public Authority to a Local Authority. The Commission, rather than its appointed auditors, has the responsibility for agreeing certification arrangements with the respective grant-giving bodies, principally government departments. The appointed auditor carries out work on individual claims as an agent of the Commission under these arrangements which comprise certification instructions which the auditor must follow.

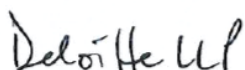
Our programme is in progress at the time of writing. We will issue a separate Annual Audit Letter in respect of the grants programme in early 2015, following the completion of the programme. At this point there are no matters which we consider need to be brought to your attention.

5. Responsibility statement

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 in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to you previously and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Council and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Council, 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.



Deloitte LLP

Chartered Accountants
St Albans

20 October 2014

Appendix 1: Analysis of professional fees

The professional fees earned by Deloitte in respect of the period 1 April 2013 to 31 March 2014 are as follows:

		2013/14 £'000	2012/13 £'000
Fees payable in respect of our work under the Code of Audit Practice	[1]	196	193
Fees payable in respect of our work under the Code of Audit Practice – extensions to audit work	[2]	8	8
Fees payable in respect of the WGA return		5	5
Fees payable in respect of the certification of grants		40	43
Fees payable in respect of our work under the Code of Audit Practice in respect of the Pension Fund		21	21
Other	[3]	-	16
Audit services provided		<u>270</u>	<u>286</u>

[1] In March 2014 the Audit Commission agreed a rebate to be distributed across local audit bodies. The announcement came following a meeting of the Audit Commission's Board, who met to discuss the strategy for managing any retained earnings prior to its closure at the end of March 2015. The decision was made as part of the Board's role in setting the Commission's strategy and objectives and for determining its budget and the way it carries out its functions. The rebate was set at 13.7 per cent of the 2012/13 annual audit fee. The rebate sent to Harrow was £27,146, with a further £2,874 in relation to the pension fund.

The fee above includes £2,750 in relation to our work on the business rates provision which has been approved by the Audit Commission.

[2] Extensions to audit work are the fees charged in relation to our procedures required in addressing objections to the accounts.

Since 31 March 2014 we have completed our work on a potential objection received in relation to the 2012/13 year end. Since issuing our ISA260 report, the Audit Commission has approved a fee of £4,692 in relation to this work. This fee will be disclosed as a cost in the 2014/15 financial statements given the timing of the work and is hence excluded from the table above.

[3] 'Other' relates to work for the 2011-12 audit and relates to overruns charged additional work required to finalise the audit of the financial statements.

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