

London Borough of Harrow

Annual Audit Letter to the  
Members of the Council for the  
year ended 31 March 2015

# Contents

Executive summary	1
1. Introduction	2
2. Financial reporting	3
3. Value for money conclusion	4
4. Grants	5
5. Responsibility statement	6
Appendix 1: Analysis of professional fees	7

# 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 2015. 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:

<b>Financial statements</b>	<p>We issued an unqualified opinion on the Council's accounts for the year ended 31 March 2015.</p> <p>We have not yet issued our audit certificate as an objection to the accounts has been lodged by a member of the public. Once this objection has been finalised we expect to be able to issue our audit certificate.</p>
<b>The Council's local government pension scheme annual report</b>	<p>We issued an unqualified opinion on information in the Council's pension scheme annual report for the year ended 31 March 2015.</p>
<b>Value for money conclusion</b>	<p>We issued an unqualified conclusion on the Council's arrangements for securing value for money during the year ended 31 March 2015.</p>
<b>Whole of Government Accounts consolidation return</b>	<p>We have completed our work and issued our assurance statement, which was unqualified.</p>
<b>Grants</b>	<p>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 on the outcome of this work, but at this point there are no matters which we consider need to be brought to your attention.</p>

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](http://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](http://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's 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 2015, 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 appropriate accounting for intangible assets; and review of controls in place over access rights to IT systems.

### **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 not yet issued our audit certificate for the year ended 31 March 2015 as an objection has been lodged by a member of the public.

# 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
<b>The organisation has proper arrangements in place for securing financial resilience.</b>	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.
<b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b>	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 our responsibilities;
- any work mandated by the Commission – of which there was none in 2014/15; 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:

- low level of general reserves;
- future funding gaps.

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.

## 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 the organisation has robust systems and processes in place 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.

## 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, 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 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*

### **Deloitte LLP**

Chartered Accountants  
St Albans

30 October 2015



# Appendix 1: Analysis of professional fees

The professional fees earned by Deloitte in respect of the period 1 April 2014 to 31 March 2015 are as follows:

		2014/15 £'000	2013/14 £'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 – procedures performed in relation to questions and objections from residents		5	8
Fees payable in respect of the WGA return		5	5
Fees payable in respect of the certification of grants	[2]	36	44
Fees payable in respect of our work under the Code of Audit Practice in respect of the Pension Fund		21	21
Fees payable in respect of non-audit work (VAT review)		6	-
<b>Audit services provided</b>		<u>269</u>	<u>271</u>

[1] As set by the Audit Commission

[2] The only grant remaining under the previous Audit Commission Contract is the Housing Benefit grant – other grants are certified under separate agreements from 2014/15 onwards.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2015 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

**Member of Deloitte Touche Tohmatsu Limited**