



# Audit Completion Report DRAFT

London Borough of Harrow

Year ending 31 March 2019

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London Borough of Harrow  
Governance, Audit, Risk Management and Standards Committee  
Civic Centre  
Station Road  
Harrow  
HA1 2XY

16 July 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 January 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of the Director of Finance and her team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 020 7063 4634.

Yours faithfully

Lucy Nutley  
Mazars LLP

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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of the Council for the year ended 31 March 2019, and forms the basis for discussion at the Governance, Audit, Risk Management and Standards Committee (GARMS) meeting on 16 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 4 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Revenue and expenditure recognition
- Property plant and equipment valuation
- Defined benefit liability valuation
- Regeneration programme costs

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Pension liability	We are awaiting a further IAS 19 valuation from Hymans Robertson, the Pension Fund actuary, this may result in an adjustment to the accounts (see page 8).
Comprehensive Income and Expenditure Statement	We are awaiting evidence from management on our income and expenditure samples, monthly payroll breakdowns, and overhead recharges.
Bank and borrowing confirmations	We are awaiting one school bank account confirmation and one local authority borrowing confirmation.
Land and buildings	Our testing for the rights and obligations of a sample of properties is in progress.
Housing Revenue Account	Our testing of HRA income and expenditure is in progress.
Narrative Report and AGS	Our review of the Narrative Report and AGS is in progress.
Closure procedures and review	Our final reviews and completion work needs to be performed, including consideration of post balance sheet events until the date of sign-off.
Whole of Government Accounts (WGA)	Our work on the WGA return will take place in August – the deadline for completing this work is 13 September 2019.

We will provide GARMS with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in January 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum .

## Materiality

We set materiality at the planning stage of the audit at £6.2m using a benchmark of 1% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors remains at £6.2m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to GARMS, at £186k based on 3% of overall materiality).

## Misstatements and internal control recommendations

We have not raised any internal control recommendations and nor are there any recommendations that required an update from the prior year.

Section 3 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to GARMS in a follow-up letter.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. 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. On page 10 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 risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management override of controls

#### Description of the risk

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.

#### How we addressed this risk

We addressed the risk through performing audit procedures, covering a range of areas including (but not limited to):

- accounting estimates included in the financial statements for evidence of management bias;
- any significant transactions outside the normal course of business; and
- journals and other adjustments recorded in the general ledger in preparing the financial statements.

#### Audit conclusion

There were no significant findings arising from our review of areas of potential management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue and expenditure recognition	<p>Our audit methodology incorporates revenue recognition as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p> <p>Based on our initial knowledge and planning discussions we have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Authority's revenue income. In particular we can rebut the revenue recognition risk for income derived from Council Tax, Grants and NNDR due to the low inherent risk associated with these amounts.</p> <p>We are not rebutting the income risk relating to other material income streams within the Council, such as car parking income and charges for use of Council facilities, where the level of inherent risk is higher.</p> <p>We consider that the pressure to manage income and expenditure to deliver forecast performance in a challenging financial environment could increase the risk of fraudulent financial reporting, leading to material misstatement. Our risk based testing on income will therefore be extended to cover expenditure also.</p>
	<hr/> <p><b>How we addressed this risk</b></p> <p>We addressed this risk by obtaining a detailed understanding of the Authority's processes which assure it that revenue and expenditure is recognised in the correct accounting year. We carried out:</p> <ul style="list-style-type: none"><li>• detailed testing of transactions within the 2018/19 financial statements to confirm they are accounted for in the correct year;</li><li>• testing from payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts.</li></ul>
	<hr/> <p><b>Audit conclusion</b></p> <p>There were no significant findings arising from our review of revenue and expenditure recognition.</p> <p>Note: our work in this area is ongoing.</p>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Property, plant and equipment valuation

### Description of the risk

Where a Council's assets are subject to revaluation, the Code requires that the year end carrying value should reflect the appropriate fair value as at that date. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, which may result in individual assets not being revalued for four years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.

In respect of Council Dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by MHCLG.

Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.

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### How we addressed this risk

We addressed this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated, and consider the robustness of that approach.

We also assessed the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that fair values have moved materially.

In addition, for those assets which have been revalued during the year we:

- assessed the valuer's qualifications;
- assessed the valuer's objectivity and independence;
- reviewed the methodology used; and
- performed testing of the associated underlying data and assumptions.

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### Audit conclusion

There were no significant findings arising from our review of property, plant and equipment valuation.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	<p>The last triennial valuation of the Harrow Pension Fund was completed as at 31 March 2016. As an admitted body within the Fund, the valuation provides the basis of the associated net pension liability for the Council as at 31 March 2019.</p> <p>The valuation of the Council's net liability includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data. Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.</p> <p>Local Government Pension Schemes have included an interim solution since 2016 on Guaranteed Minimum Pension (GMP) equalisation and as such, this is not considered part of the defined benefit liability valuation risk.</p>

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### How we addressed this risk

As the Council is the Fund administrator, we addressed this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary Hymans Robertson.

We also:

- assessed the skill, competence and experience of the Fund's actuary;
- challenged the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;
- carried out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

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### Audit conclusion

The NAO's consulting actuary (PwC) has reviewed assumptions used by all LGPS actuaries in 2018/19. Their review identified two matters:

- The impact of GMP equalisation may not be fully included in LGPS annual IAS 19 valuations; and
- The impact of a legal case held during the year (known as the McCloud case), concerning potential age discrimination in relation to transitional provisions introduced as part of pension reform measures, has not been included in any LGPS annual IAS 19 valuations.

In our view, these matters gives rise to at least a constructive obligation, which are required to be recognised under IAS 19, which could have a potential material impact on the Fund and the Council. The Council is currently consulting with its actuary to obtain an assessment of the impact of these matters. Once the actuary has provided this assessment the Council will update the amounts or disclosures in the statement of accounts to reflect the additional liability.

Subject to the updated actuarial valuation being received, there were no significant findings arising from our review of the defined benefit liability valuation.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Management judgement

Regeneration programme costs

### Description of the management judgement

The Council has placed a pause on its Regeneration Programme which included plans for the sale of the current Civic Centre and relocation to Wealdstone as part of the Harrow New Civic Project. Costs and assets arising from earlier stages of the programme will need to be assessed to ensure they are correctly accounted for and disclosed in the Council's financial statements.

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### How our audit addressed this area of management judgement

We reviewed in detail the costs to date associated with the programme to ensure these are correctly accounted for and disclosed appropriately in the financial statements.

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### Audit conclusion

There were no significant findings arising from our review of the regeneration programme costs.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 May 2019 and were of a good quality. Supporting working papers were made available to us on the first day of the audit and were of a good quality.

### Significant matters discussed with management

We discussed the following significant matters with management:

- GMP and McCloud – these two pension liability issues give rise to at least a constructive obligation, which are required to be recognised under IAS 19. The Council is currently consulting with its actuary to obtain an assessment of the impact of these matters. This may result in an adjustment to the accounts. Further details are set out on page 8.
- Group Accounts – the Council has assessed its subsidiaries, associates and joint ventures and considers them to be not material either qualitatively or quantitatively. We have considered management's judgement and are satisfied that the accounts are not materially misstated as a result of this judgement. In the coming years the Council will need to ensure it reviews this assessment and updates it for any significant changes.
- NDR Appeals Provision – the Council has not made any provision for appeals associated with NHS Trusts claiming charitable status. We are satisfied, based on the Council's assessment of the outcome of this case, that this matter does not affect the risk of material misstatement.

### 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. We would like to express our thanks to management and officers for their co-operation throughout the audit.

### 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 2018/19 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. We have received no questions or objections.

### 3. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £186k.

There were no unadjusted misstatements.

The table below outlines the misstatements that have been identified by management and adjusted during the course of the audit.

#### Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Community expenditure Cr: Community income	1,029	1,029		
The Council identified a grossing-up formula error within community income and expenditure. This has been amended to agree to the amounts set out in the subjective analysis note (Note 5.25).				
2 Dr: Flexible homeless support grant Cr: Other general grants	90	90		
The Council identified a transposition error in the taxation and non-specific grant income note (Note 5.10). The flexible homeless support grant has been amended to £2,014k.				
<b>Total</b>	<b>1,119</b>	<b>1,119</b>	<b>-</b>	<b>-</b>

#### Disclosure amendments

During our review of the financial statements we identified some amendments to disclosures. The following were amended by management.

**Note 5.1, Accounting policies:** an additional policy has been added for group accounts.

**General:** A number of other changes have been made to the financial statements not requiring individual analysis.

## 4. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>A Council Constitution, setting out the governance structure of the Council is in place which is reviewed regularly. The Governance, Audit, Risk Management and Standards Committee (GARMS) fulfils the function of an audit committee. GARMS has met regularly throughout the year. The Committee has received the reports of internal and external audit, and challenged the findings and recommendations as appropriate.</p> <p>During quarter 1 of 2018/19, the Corporate Risk Register (CRR) was refreshed, ensuring that the risks being reported on in the CRR were of a sufficiently high level. This saw a significant decrease in the number of risks being reported and now nine risks are shown on the CRR, arguably making it easier to understand. The CRR is reported regularly to the Corporate Strategic Board and to GARMS, with a supporting report detailing movement in risk levels in the preceding quarter.</p> <p>During the year there has been regular reporting to Cabinet of financial information. The year-end position reported is not significantly different to that forecast during the year.</p> <p>A medium term financial plan was in place for the year ended 31 March 2019, covering the period 2018/19 to 2020/21. This was approved by Cabinet and Council in February 2018. The 2018/19 budget was balanced, with planned underspends in year, to be utilised to support the 2019/20 budget.</p> <p>A Treasury Management Strategy was in place for the year ended 31 March 2019. GARMS has received regular treasury management reporting during the financial year. The 2018/19 Treasury Management Strategy Statement was approved by the Council in February 2018.</p> <p>The Regeneration Programme, which was initially approved by the Council in 2014, was paused during the year. This was following a limited assurance internal audit review and external review commissioned by the Council as part of their due diligence on the project. The outcomes of both reviews, led to a consideration of development options and delivery arrangements for regeneration projects. In May 2019, Cabinet approved commencing a procurement exercise to procure a Strategic Development Partner to assist with the delivery of a number of the Council's core strategic development sites.</p>	Yes

## 4. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Medium Term Financial Strategy (MTFS) 2018/19– 2020/21 was approved by Cabinet and Council in February 2018 alongside the 2018/19 budget. During the year, there were regular financial reports submitted to Cabinet and the Council, which reported on the level of savings proposed and the Council's progress in achieving them. The Council achieved savings of £7.4m during 2018/19, leading to a surplus position of £3.1m, better than the £2.2m planned for. The final financial outturn was very close to the projected position throughout the year, which was consistently and regularly reported to Cabinet and Council.</p> <p>The Council has a good track record of achieving high levels of savings during the financial year and monitors achievement on a Red-Amber-Green basis, giving Members a clear indication of progress being made with savings. We further note that during the 2018/19 year the Council was successful in allocating in-year savings to increase earmarked reserves to be used to mitigate and manage future budget gaps.</p> <p>During the year, following an external review, the Council was considering its development options and delivery arrangements for a number of its regeneration projects. This led to minimal spend in year resulting in a large capital underspend. The capital budget for the Regeneration Programme was reset for 2019/20 to ensure budget activity accurately reflected current activity. Again, progress against the capital plan was reported to Cabinet and Council during the year.</p> <p>The 2019/20 budget was approved in February 2019, alongside the MTFS 2020/21 – 2021/22 (MTFS). Including utilising the revenue balances carried forward from 2018/19, the 2019/20 budget is balanced. The MTFS as approved, however, identified a funding gap of £26.1m over the two year period, £16.8m in 2020/21 and £9.3m in 2021/22. The Council has chosen to work with the deficit on a two-year basis, allowing a longer lead time for some savings to materialise. We appreciate that at the point of setting the budget and MTFS in February 2019, there were, and still are, key uncertainties in local authority funding relating to the Government Comprehensive Spending Review, the Fair Funding Review in Local Government, and the impact on the Council of the 100% business rates retention scheme. There is no guarantee that these elements would all have a positive effect on the Council's funding.</p> <p>Initial planning by the Council and evaluation of income assumptions, mainly surrounding council tax increase levels has reduced the funding gap to £13.6m over the two years. Initial review of the assumptions employed by the Council to get to this point considers them reasonable, but they do carry a level of risk extrinsic to the Council which they, and other local authorities, cannot control – such as the result of the Fair Funding Review.</p> <p>During 2019/20, the Council will work on four key themes to reduce expenditure and/or generate income to mitigate the funding gap and protect front line services. Early indications are positive, with a number of savings identified. The Council is not complacent, and continues to work on reducing expenditure and/or generating income. Reports will continue to be received regularly by Cabinet and Council on the MTFS.</p>	Yes

## 4. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>The Council's Constitution details the arrangements for contracting with third parties. The Council has written procedures for procuring products and services, which are within its constitution.</p> <p>The Health and Wellbeing Board is responsible for the Harrow Better Care Fund plan. The Board, made up of representatives from the Council, NHS Harrow CCG, local police and the voluntary sector, monitors the outcome performance of the plan.</p>	Yes

## 4. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>The Council is currently forecasting a planned underspend of approximately £2.2million in 2018/19, based on draw down and use of reserves of £5.3million. The underspend is planned to be applied to the 2019/20 budget.</p> <p>In December 2018, Cabinet approved the draft 2019/20 budget and 3 year Medium Term Financial Strategy (2019/20 to 2021/22) for consultation. This showed a balanced budget position for 2019/20 with further savings of £22.8million required for 2020/21 (£13.5million) and 2021/22 (£9.3million).</p> <p>The final approved budget and MTFS approved in February 2019, showed a balanced budget for 2019/20 with further savings of £26.1m required for over 2020/21 and 2021/22.</p>	<p>We addressed this risk by reviewing arrangements for:</p> <ul style="list-style-type: none"> <li>• Delivery of the 2018/19 savings against target;</li> <li>• Developing the MTFS 2020/21 – 2021/22, considering the reasonableness of assumptions;</li> <li>• Identifying future savings, including a review of robustness of identified plans for 2019/20 and beyond.</li> </ul> <p>The Council has achieved a high level of savings in 2018/19 and has set a balanced budget for 2019/20. The MTFS 2020/21 – 2021/22 identified a significant funding gap over the two years it relates to. Initial planning assumptions have reduced the funding gap over the two year period from £26.1m, to £13.6m, and work is well underway to identify further savings / income generation opportunities.</p>	<p>We obtained sufficient assurance to conclude arrangements are in place.</p>

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unmodified Value for Money conclusion for the 2018/19 financial year.





# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

[To be provided to us on client headed note paper]

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

[Date]

Dear Lucy

### London Borough of Harrow - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of London Borough of Harrow ('the Council') for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Executive summary

Significant findings

Summary of misstatements

Value for Money conclusion

Appendices

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Group accounts

I confirm I consider the inclusion of the Council's subsidiary companies would not have a material impact on the accounts. Group accounts have therefore not been completed.

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Dawn Calvert  
Director of Finance, Section 151 Officer

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of London Borough of Harrow Report on the financial statements

#### Opinion on the financial statements of London Borough of Harrow

We have audited the financial statements of London Borough of Harrow ('the Council') for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of London Borough of Harrow as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Opinion on the financial statements of Harrow Pension Fund

We have audited the financial statements of Harrow Pension Fund ('the Pension Fund') for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Harrow Pension Fund during the year ended 31 March 2019, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the Council's and the Pension Fund's financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Council's and Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council and the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Council's and Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Conclusion on London Borough of Harrow's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, London Borough of Harrow has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Use of the audit report

This report is made solely to the Members of London Borough of Harrow, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Certificate

##### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Lucy Nutley  
For and on behalf of Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

[Date]

Executive summary

Significant findings

Summary of misstatements

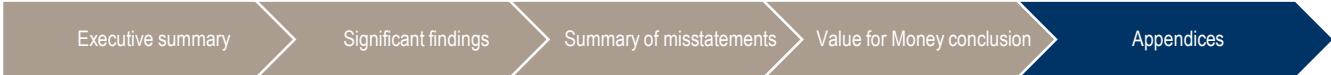
Value for Money conclusion

Appendices

# APPENDIX C 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.



## CONTACT

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