

---

*London Borough of Harrow*

**Statement of Accounts for the year  
ended 31 March 2003**

*December 2003*

---

This report has been prepared on the basis of the limitations set out on page 21.

---

# Contents

	<b>Page</b>
<b>1. Key points</b>	<b>1</b>
<b>2. Status of our audit</b>	<b>3</b>
<b>3. Audit approach</b>	<b>4</b>
<b>4. Resolution of audit issues</b>	<b>6</b>
<b>5. Summary of potential uncorrected errors</b>	<b>16</b>
<b>6. System weaknesses</b>	<b>18</b>
<b>7. Confirmation of independence</b>	<b>20</b>
<b>8. Statement of responsibility</b>	<b>21</b>
<b>9. Appendix 1 Management representation letter</b>	<b>22</b>
<b>10. Appendix 2 Independence policies and procedures</b>	<b>25</b>
<b>11. Appendix 3: Draft unqualified audit opinion</b>	<b>27</b>

---

# 1. Key points

## 1.1. Introduction

- This report has been prepared for a Special Panel of the Overview and Scrutiny Commission for discussion at its meeting on 18 December 2003 and summarises the principal matters that have arisen from our audit for the year ended 31 March 2003. This report includes information which has been provided by, or is based on, discussions with staff, management and directors.
- Statement of Auditing Standards (SAS 610) (Revised): Communication of audit matters to those charged with governance, sets out matters relating to the audit which the auditor is required to communicate to those charged with governance in the organisation.
  - The Audit Commission proposes that in the local government sector, the definition of those charged with governance, for the purpose of SAS 610, covers the Full Council or committee of the Council to which responsibility for the approval of the statement of accounts has been delegated.
  - The matters required to be communicated include findings from the audit, including any expected modifications to the auditors' report, unadjusted misstatements, material weaknesses in the accounting and internal control systems, and the auditors' views about the qualitative aspects of the body's accounting practices and financial reporting.

These communications are designed to enable the audited body's member group to be aware of the audit findings and consider their impact before finally approving the annual accounts of the Authority.

---

## ***1.2. Findings from the 2002/03 audit***

- Our fieldwork is substantially complete, although a number of pieces of information and explanations from officers have been provided only very recently. We will update the Panel orally on progress in clearing any final outstanding items at the meeting.
- At this stage we anticipate issuing an unqualified audit opinion. A copy of our draft audit opinion is attached at Appendix 3 for reference.
- We have reported unadjusted errors. Management have judged these amount to be not material, both individually and in aggregate, and do not propose to process correcting journals. We seek confirmation from the Panel of this assessment.
- A separate report has been issued to management on weaknesses in the general control environment. Weaknesses in other systems have been reported separately by internal audit. We have repeated the more significant issues in section 6.
- We confirm that we have adequate arrangements in place to maintain our independence of the Council.

---

## 2. Status of our audit

- This has been our first year as the Authority's external auditors. Our work on the 2002/03 annual accounts is substantially complete, although a number of pieces of information and explanations from officers have only been very recently provided. The principal audit procedures outstanding at the time of writing are:
  - Completion of outstanding matters on the audit of the Council's pension scheme
  - Final internal review procedures
  - Management representation letter (see Appendix 1)
  - Update of post balance sheet event review
  - Formal approval of the updated Statement of Accounts by members.
- We will update the Panel orally at the meeting on progress on clearing these matters and on any matters arising from their clearance.

---

### 3. Audit approach

- SAS 610 requires us to report to you a number of details relating to our audit approach.
- Our audit is conducted in accordance with Auditing Standards issued by the Auditing Practices Board and has been performed as set out in our Audit Plan.
- We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and are fairly presented. The assessment of what is material is a matter of professional judgement and includes consideration of both the amount (quantity) and the nature (quality) of misstatements. The assessment of materiality during audit planning assists in the determination of an efficient and effective audit approach. The level of materiality also determines the extent of work performed. The assessment of materiality during audit planning may differ from that at the time of evaluating the results of audit procedures. This may be because of a change in circumstances or a change in our knowledge as a result of the audit.
- We obtain an understanding of the accounting and the internal financial control systems in order to assess their adequacy as a basis for the preparation of the financial statements and to form an opinion whether proper accounting records have been maintained by the Council. Our understanding of the internal financial controls systems forms the basis of our audit approach. Internal financial controls comprise your financial control environment and the associated control procedures. The audit procedures we performed during our audit were a mix of control and substantive testing. The nature and extent of our procedures varied according to identification of areas of greater than normal risk of material misstatement and our assessment of the authority's accounting system and, where we wished to place reliance on it, the internal financial control system and covered any aspect of the business operations that we considered appropriate. Where we identified a specific risk of a material misstatement which was more than normal we performed substantive testing directed at providing us with evidence that the risk has been addressed or performed tests of controls that focused on mitigating such risks.

- 
- We liaised with internal audit to, where possible, avoid areas of duplication. Internal audit work provided us with audit evidence in relation to the satisfactory operation of key internal financial controls which we took account of in forming our audit opinion.

## 4. Resolution of audit issues

Issue	Resolution
<p><b>4.1 Capital financing related issues</b></p> <p><b>Deferred charges</b></p> <p>The Council carried forward £8.4 million of Housing Purchase Grants in deferred charges at 31 March 2003 which are being amortised over a period of 50 years. These grants were provided to former tenants to assist them in the purchase of their own accommodation with a view to freeing-up the Council's own stock.</p> <p>The Local Government SORP does not define an appropriate period for amortisation and this will vary depending on the circumstances that have caused the deferred charges. This period should not be more than the period (if any) of the deemed benefit accruing directly to the authority from the capital investment. Practice elsewhere indicates that it is more normal to write off these deferred charges in the year they arise rather than over the deemed period of benefit. This is on the grounds that it is not easy to link the cost to any subsequent financial benefits.</p> <p><b>Debt redemption premium</b></p> <p>The Council's policy on debt redemption premiums is to amortise those over the remaining life of the debt (HRA) and the life of the replacement loan (CRA). At the end of the year there is an asset of £3.02m on the balance sheet. The SORP requires this to be written off in the CRA in the year of payment.</p>	<p><b>Deferred charges</b></p> <p>Officers have agreed to review Council policy and practice in 2003/4 to reconsider whether there is continuing benefit to the Council from this expenditure.</p> <p><b>Debt redemption premium</b></p> <p>The Council have indicated that, if forced to write off this balance in one year, they would pay for this using PCL. The write-off expense would be compensated for by an equal and opposite appropriation to the capital finance reserve. On this basis we have decided not to seek to adjust this year and will revisit in 2003/4.</p>

---

	We recommend the Council reconsiders its policy on this item in 2003/4
--	--

Issue	Resolution
<p><b>4.2 Insurance provisions</b></p> <p>Insurance provisions should only be created if they relate to items that are likely or certain to be incurred usually in respect of actual claims received. Other amounts can be set aside under self insurance arrangements, but should be included in earmarked reserves.</p> <p>The Council includes all amounts for self insurance risk within provisions (total provision of £5.0 million).</p>	<p>The Council's insurances system contains 'live' information and we understand it is not able to retrospectively generate a list of open claims at the year end. As a consequence, officers are unable to determine what part of the provision is supported by specific claims which are more likely than not to be incurred and what remaining part should be reclassified to earmarked reserves. There would, however, be no change to the total surplus.</p> <p>As the position is prudent (i.e. amounts have been provided against, rather than included in earmarked reserves) we have agreed to accept without qualification. We have recommended to officers that they ensure the required information is captured at next year end.</p>
<p><b>4.3 S117 of the Mental Health Act 1983 liabilities</b></p> <p>Recent cases raise the possibility that local authorities who charged for the provision of certain after care facilities are required to reimburse these charges to clients.</p> <p>Harrow Council has carried out a review and identified individual clients that would be effected by the new rulings. It has disclosed a contingent liability of £768,000 and earmarked this amount within reserves. Based on our discussions, we believe the Council should include this amount in provisions as it is able to identify individual clients and assess the value of potential claims with reasonable accuracy.</p>	<p>We have recorded this as an unadjusted error as a provision should have been established for this liability.</p>

Issue	Resolution
<p><b>4.4 Statement of internal financial control</b></p> <p>This is the first year in which the Council has been required to present a statement of internal financial control. The statement is required to include:</p> <ul style="list-style-type: none"> <li>• An acknowledgement of responsibility for internal financial control</li> <li>• An indication of the level of assurance that any system of internal financial control can provide</li> <li>• A brief description of the main features of a system of internal financial control</li> <li>• A brief description of the role of internal audit and their management reporting arrangements</li> <li>• Details of any other relevant reviews undertaken during the year</li> <li>• A concise explanation of any identified significant weaknesses in the system of internal financial control and the actions undertaken or planned to address these.</li> </ul> <p>Our responsibility is to determine:</p> <ul style="list-style-type: none"> <li>• Whether the statement contained all of the above points</li> <li>• Whether there are any inconsistencies between the statement and the other information of which we are aware as part of our audit work.</li> </ul>	<p>The draft statement of internal financial control included the matters that were required to be included, except the initial draft statement included only a summary of the number of weaknesses identified in the year by internal audit testing, rather than an explanation of significant weaknesses.</p> <p>The statement was not inconsistent with our knowledge of the Council except that there was no reference to significant weaknesses identified by the Benefit Fraud Inspectorate in the Council's benefit counter fraud arrangements and action plans resulting from this.</p> <p>We have agreed these points with management and have received a revised statement referring to the weakness. We would however point out that the SORP does require an explanation of the action plans to resolve weaknesses and would recommend that these be included more fully in next year's wider statement of internal control.</p>

Issue	Resolution
<p><b>4.5 Recoverability of sundry debtors</b></p> <p>At October 2003, £1.7 million of debtors invoiced to Harrow PCT prior to 31 March 2003 remained outstanding. A further £0.4 million, originally invoiced to Brent and Harrow Health Authority in 2002 and before and now receivable also from Harrow PCT was also still outstanding.</p> <p>The delay in settlement of these amounts raises suspicion that some or all of the balances may not be recovered.</p>	<p>Finance managers in the directorate believe that the amount is recoverable in full.</p> <p>Corporate finance management have reviewed the position and agree with Social Services. We have included a specific representation in our management representation letter relating to the recoverability of these amounts.</p>
<p><b>4.6 Cut-off arrangements for housing repairs invoices</b></p> <p>Current instructions to managers do not require invoices for housing repair expenses incurred before the year end to be included within accruals. This basically means that these invoices are accounted for on a cash basis rather than an accruals basis. The Council discloses this treatment within its accounting policies.</p> <p>Whilst it is common to exclude from normal year end expenditure cut-off arrangements of either invoices below a certain level or invoices for lower value for regular services (e.g. utilities), it is not usual to exclude housing repairs accruals, which can in aggregate be substantial and may vary significantly from one month to the next.</p>	<p>Management have shown that, based on the average level of repairs expenditure, such amounts are unlikely to be material, although they have not been able to quantify the specific effect at the year end. We recommend that next year either a more robust exercise is carried out to demonstrate that the level is immaterial, or preferably that normal cut-off procedures are applied to these invoices and the Council amends its accounting treatment to bring these items onto the accruals basis.</p>

Issue	Resolution
<p><b>4.7 ‘Commuted car park gifts’</b></p> <p>Included within the contingent liabilities note is reference to an amount of £3.02 million relating to the Council’s liability to provide resources to maintain the value, at present day prices, of gifts from developers in lieu of car parking provision which they were required to make under the terms of their planning provision. Interest earned on these gifts has historically been credited to the Consolidated Revenue Account rather than reserved to help meet this commitment. The original amounts received of £1.7 million are included in capital receipts unapplied.</p>	<p>Management have provided a specimen agreement with a developer. This agreement commits the developer to making a payment in lieu of providing car park spaces but does not place the Council under any legal obligation to provide parking spaces or repay the money. On this basis the treatment appears reasonable. The Council should ensure that this obligation and the capital receipts are kept under review so that expenditure on car parking is properly applied against them.</p>
<p><b>4.8 Housing balances</b></p> <p>Various housing related balances, a number of which had not changed since prior year lacked analysis, including:</p> <ul style="list-style-type: none"> <li>● Bad debt provision of £1.2 million</li> <li>● ‘Unpresented cheques’ of £0.4 million</li> <li>● HRA rent rebate overpayment of £0.4 million</li> <li>● £0.4 million (2002: £0.4 million) is included in bad debt provisions described as being provided against housing association debt. We have not identified the corresponding debt or received an explanation for this balance.</li> </ul>	<p>In closing the HRA the Council considered the level of bad debt provisions against HRA debtors and various specific debtor and creditor balances. During the course of our audit we raised these matters with management who identified a number of year-end journals that should have been processed in order to correct these entries. We have accepted that none of these are in themselves material but have recommended to the Council that they improve the closure process so that processing of key journals cannot be overlooked in future.</p>

Issue	Resolution
<p><b>4.9 Private tenant housing benefit overpayments</b></p> <p>Our work identified £849,000 of housing benefit overpayments which the Council has assumed will be recoverable from private tenants' ongoing entitlement to benefits. No analysis of these amounts was available to support this balance or the assumption.</p>	<p>This amount has been included in our list of unrecorded errors in section 5. Officers have told us that, in common with other councils using the same software package, no analysis has been possible of this amount. This will be revisited in 2003/04.</p>
<p><b>4.10 Admitted bodies' contributions to the Pension Fund</b></p> <p>During our audit of the Pension Fund we were unable to obtain evidence relating to all of the contributions made to the Pension Fund by other admitted bodies.</p>	<p>This amount was less than 10% of both the employees' and employers' contributions. We recommend that in future returns are sought from the admitted bodies to improve the audit trail.</p>

Issue	Resolution
<p><b>4.11 Reclassifications and other presentational matters</b></p> <p>Our work identified the following reclassifications and other presentational changes required under the Local Government SORP:</p> <ul style="list-style-type: none"> <li>• Contributions to/from earmarked reserves included within 2<sup>nd</sup>, rather than 3<sup>rd</sup>, section of the (CRA) Consolidated Revenue Account.</li> <li>• HRA brought into CRA at nil and transfer to balances at nil. Actuals needed to be brought in and presented in accordance with the Best Value Accounting Code of Practice issued by CIPFA.</li> <li>• Reclassification of standards fund provision to receipts in advance within creditors.</li> <li>• Pension scheme ‘share’ of the bank balance to be reclassified to creditors (£0.9 million).</li> </ul>	<p>These matters have either been dealt with in the revised accounts or we believe that the remaining misclassifications are immaterial. We recommend that in future years the Council review the draft accounts against the disclosure checklist prepared by CIPFA to ensure that the correct disclosures are made in the correct place in the accounts.</p>

Issue	Resolution
<p><b>4.12 Disclosure items</b></p> <p>The Local Government SORP requires disclosure of various items. Our review of the draft Statement of Accounts identified the following omissions:</p> <ul style="list-style-type: none"> <li>• PFI accounting policy and the amount of undischarged obligations under PFI schemes.</li> <li>• Accumulated depreciation brought and carried forward.</li> <li>• FRS17 'Year 2' pension fund disclosures (together with inflation assumption).</li> <li>• Vacant possession value of council dwellings.</li> <li>• An explanation of the 'adjusting transfer' in the HRA.</li> <li>• An analysis of the debits to the MRR split by type of asset.</li> <li>• Analysis of contributions receivable and pensions payable (in the pension accounts) split by category of body.</li> <li>• Qualification of valuer and asset lives assigned to different categories of fixed assets. Transfer of some information from accounting policies section to the notes.</li> <li>• Quantification of effect of departure from SSAP24 – Accounting for Pensions (or confirmation that contributions have been calculated on SSAP 24 basis).</li> </ul>	<p>The majority of these items have been corrected in the revised Statement of Accounts. The two exceptions are as follows:</p> <ul style="list-style-type: none"> <li>• The disclosure of the difference between the charge to the CRA in respect of the Pension Fund and the SSAP 24 charge has not been made as it has not been possible to obtain a report from the actuary to quantify the difference (if any). Based on the fact that disclosures have now been made under the more modern pension costs standard, FRS 17, we have accepted the Council's rationale for this omission, subject to obtaining a management representation that it is not possible to obtain the necessary valuations in a reasonable timescale.</li> <li>• The accounting for the adjusting transfer in the HRA is correct, so it is only the explanation that could be improved. This will be addressed in 2003/4.</li> </ul>

Issue	Resolution
<p><b>4.13 Summary of other matters discussed with management</b></p> <ol style="list-style-type: none"> <li>1. Underaccrual of housing subsidy receivable by £53,000.</li> <li>2. Impairment losses of £0.7 million resulting from a consumption of economic benefits have been charged against the revaluation reserve, rather than to the CRA (with a compensating below-the-line appropriation from the Capital Financing Reserve).</li> <li>3. Contribution to reserves per Consolidated Revenue Account differs to the movements in reserves.</li> <li>4. Rayners Lane housing transfer. The Council have committee papers explaining this transaction. However, a number of key legal documents are kept by the Council's advisors and no copy has been retained by the Council.</li> </ol>	<p>We have recorded the first two items as an unadjusted errors in section 5.</p> <p>The difference in the third item relates to the use of Harrow Contract Services (HCS) balances for IT spend that has been wrongly charged below the line. The Council has split the transfer to reserves into the genuine contribution to reserves and the HCS spend. Whilst the movement is still disclosed in the wrong place in the CRA, the amount involved is immaterial (£51,000) and the treatment is transparent.</p> <p>On the fourth item we have relied on the committee paper and the correspondence with the advisors in forming our view on the accounting for the transfer. However, we recommend that the Council should keep their own copies of key legal documents in future rather than relying on copies held by advisors.</p>

---

## 5. Summary of potential uncorrected errors

- Our materiality was assessed based on revenue resources. A number of errors have already been corrected by the Council in the revised draft accounts being presented to the Panel.
- Our professional standards require us to communicate all uncorrected errors identified during our audit work to the Panel, other than those which we believe are clearly trifling which is defined by our guidance as less than 2% of materiality. An analysis of these is set out on the next page.
- The unrecorded errors are less than our materiality, both individually and in aggregate. We will update the Panel orally if changes are needed to the table as a result of clearing outstanding points and issues.
- We will be seeking a representation from the Council, which explains the reasons for not adjusting these uncorrected errors.

## Analysis of unadjusted errors

All amounts in £'000	Assets	Liabilities	Housing Revenue Account Expense/(Income)	Consolidated Revenue Account Expense/(Income)	Reserves
Pension scheme creditor incorrectly included in overdraft	869	(869)			
Positive and negative cash balances incorrectly netted off	93	(93)			
Housing benefit unrepresented cheques not recorded		(197)		197	
Accruals incorrectly calculated		357		(357)	
Recategorisation of protection of property balance	(30)	30			
Reclassification of Section 117 reserve		(768)			768
Revised estimate of HRA subsidy receivable	53		(53)		
Overprovision of housing association debt		24		(24)	
Error in HRA bad debt provision	(80)		80		
Private tenant overpayments bad debt provision					
Write back of housing association provision with no associated debtor	400			(400)	
Uncleared HRA suspense accounts		300	(300)		
Uncleared HRA suspense accounts		(110)	110		
Impairments treated wrongly in accounts				see note 1	see note 1
Housing repairs not accrued for			see note 2	see note 2	
Private tenant overpayments bad debt provision	(849)			849	
Write-off of debt redemption premium	(3,020)			see note 3	3,020
<b>Total debit/(credit)</b>	<b>456</b>	<b>(1,326)</b>	<b>(163)</b>	<b>265</b>	<b>768</b>

Note 1: Impairments of £700,000 have been taken direct to reserves, rather than being charged to services and then reversed to the capital financing reserve. There is no impact on the total surplus for the year.

Note 2: In addition an accrual should be made for housing repairs invoiced to Harrow after the year end but relating to 2002/3. This amount cannot be quantified but is expected to be insignificant.

Note 3: The treatment in the consolidated revenue account of this item would be an expense of £3.02m in the Asset Management Revenue Account and an equal and opposite appropriation to the Capital Financing Reserve.

---

## 6. System weaknesses

- Internal audit's work, which we reviewed, identified a number of key controls where operation of the control was either not documented or where documentation retained was only partial. In addition, their work identified a number of other areas for improvement, in particular over the reconciliation of the opening business rates and council tax debits through to independent information from the Valuation Office.
- Significant weaknesses in general computer controls identified by our computer audit specialists included:
  - A number of accounts for the eFinancials system have been set up with the ability to "self-authorise" both orders and invoices. 206 such user accounts were identified across a number of departments.
  - There is no documented procedure to guide the installation of vendor patches and upgrades into the live environment. User acceptance testing documentation of the upgrades is not retained.
  - Oracle HR users and IT support personnel have access to the Oracle Discoverer utility in order to create and customise reports. However, due to the administrative overhead required to configure individual access rights to Discoverer, user access is via a single shared account and password, with no restrictions on the data that can be viewed. There is an increased risk that employees may attempt to view or record sensitive personal details without authorisation, such as home addresses, next of kin or pay and benefits details.
  - Although development and live environments are logically separated, a number of Analyst Programmers, Senior Analyst Programmers and Project Leaders have access to both environments for specific systems and are able to promote code to the live environment. As a result, changes may be implemented to the live environment without appropriate testing or authorisation.
  - We have been unable to verify that an appropriate level of functionality and data testing and was performed with regard to the upgrade from CFACS to eFinancials. We received documentation relating to project timescales, but no documentary evidence of test plans, test scripts, test results or exception resolution was made available. Without an audit trail of test documentation there is a risk that any testing

---

performed is incomplete or insufficient, or that significant errors remain unaddressed prior to live use of modified systems.

- Weaknesses in key accounting controls have been reported on by internal audit. Weaknesses in general computer controls have been included in a separate report to management.

---

## **7. Confirmation of independence**

- In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired.
- We have detailed important safeguards and procedures adopted by Deloitte & Touche to counter threats or perceived threats to our objectivity at Appendix 2.

---

## 8. Statement of responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

Deloitte & Touche LLP  
December 2003

London North  
Verulam Point  
Station Way  
St Albans  
Hertfordshire AL1 5HE

### Contact Persons:

Nigel Johnson

01727 885178

Angus Fish

01727 885038

---

## 9. Appendix 1 Management representation letter

*(Harrow Council's Letterhead)*

Deloitte & Touche LLP  
Station Way  
St Albans  
Hertfordshire  
AL1 5HE

Date: [ ] December 2003

Dear Sirs

We confirm to the best of our knowledge and belief, the following representations given to you in connection with your audit of the London Borough of Harrow's ('the Council') financial statements for the year ended 31 March 2003.

1. There are no other known material transactions with related parties, other than those disclosed in Note 13 to the Consolidated Revenue Account of the draft financial statements, and we are not aware of any other such matters required to be disclosed in the financial statements whether under Financial Reporting Standard 8 or other requirements. We have confirmed this with all key managers and other individuals who are in a position to influence or are accountable for the stewardship of the Council.
2. There are no known instances of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.

- 
3. We have considered the uncorrected misstatements detailed in the appendix to this letter. We believe that no adjustment is required to be made in respect of any of these items as they are individually and in aggregate immaterial having regard to the financial statements taken as a whole.
  4. All minutes of member meetings during and since the financial year have been made available to you.
  5. We confirm that we are of the opinion that the Council is a going concern, that we have disclosed to you all relevant information of which we are aware and which relates to our opinion, and that all relevant facts are disclosed in the financial statements.
  6. There have been no known events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.
  7. The Council, in common with other local authorities, does not comply with the requirement of SSAP24 "Accounting for Pension Costs", to recognise the full expected cost of providing for all pensions and related benefits on a systematic and rational basis over the period that the Council derives benefit from its employees' services.
  8. There is no known significant pending litigation, proceedings or known claims against the Authority other than those disclosed in the statement of accounts.
  9. There are no known instances of any fraudulent acts or other irregularities involving management or employees which could have a material effect on the financial statements.
  10. The Council has undertaken an impairment review and except for those assets reflected in the review we are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable.
  11. There are no known material liabilities not properly included in the financial statements and all material contingent liabilities have been disclosed.

- 
12. All known necessary approvals were received from the Office of the Deputy Prime Minister and the Council for the transfer of the Rayners Lane housing stock by way of a Large Scale Voluntary Transfer to the Home Group at a nil value.
  13. Based on discussions negotiations to date, we do not anticipate that the implementation of single status at Harrow will result in liabilities which relate to periods prior to 1 April 2003 other than those for which provision is made in the accounts.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the London Borough of Harrow

---

## 10. Appendix 2 Independence policies and procedures

Important safeguards and procedures developed by Deloitte & Touche LLP to counter threats or perceived threats to our objectivity are set out below.

- Every opinion (not just statutory audit opinions) issued by Deloitte & Touche LLP is subject to hot technical review by a member of our independent Professional Standards Review unit.
- We report annually to the Council our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner and key audit principles in accordance with our policies and professional and regulatory requirements.
- There is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, advocacy and over-familiarity.
- Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies. Amongst other things, these policies:
  - state that no Deloitte partner (or any closely related persons) is allowed to hold a financial interest in any of our UK audit clients;
  - require that professional staff (or any closely related persons) may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client;

- 
- prohibit any professional employee from obtaining products or services from clients at prices below those generally available to others; and
  - provide safeguards against potential conflicts of interest.
- Audit partners are expected to be responsive to the needs of clients where under ethical rules it is appropriate to do so. Partners are evaluated on roles they take within the firm including their technical ability and their ability to manage the risks which the firm faces.

---

## **11. Appendix 3: Draft unqualified audit opinion**

### **Independent Auditors' Report to London Borough of Harrow**

We have audited the financial statements which comprise the Consolidated Revenue Account, Consolidated Balance Sheet, Collection Fund, Housing Revenue Account and associated notes which have been prepared in accordance with the accounting policies applicable to local authorities as set out on therein and the Pension Fund accounts, on pages [H] to [L], which have been prepared in accordance with the accounting policies applicable to pension funds set out therein.

This report is made solely to the London Borough of Harrow in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Chief Financial Officer and Auditors**

As described in the statement of Chief Financial Officer's responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002 and ensuring that contributions are made to the Pension Fund in accordance with the rates and adjustment certificate.

Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the financial statements present fairly:

- the financial position of the Council and its income and expenditure for the year, and
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

---

We review whether the Statement of Internal Financial Control reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002'. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed. The work that we carried out also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and timing of those payments.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error and that contributions have been paid in accordance with the rates and adjustments certificate dated [date] prepared in accordance with the scheme rules and recommendations of the actuary.

In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

### **Opinion**

---

In our opinion the financial statements present fairly the financial position of London Borough of Harrow as at 31 March 2003 and its income and expenditure for the year then ended.

**Opinion on the pension fund accounts**

In our opinion the financial statements present fairly the financial transactions of London Borough of Harrow's Pension Fund during the year ended 31 March 2003, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year. In our opinion the contributions under the scheme during the year ended 31 March 2003 have been paid in accordance with the rates and adjustments certificate dated [date] prepared under the Local Government Pension Scheme Regulations 1997.

**Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Deloitte & Touche LLP  
Chartered Accounts, St Albans  
[date]

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the statement of accounts since first published. These matters are the responsibility of the Council but no control procedures can provide absolute assurance in this area.

---

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.