

London Borough of Harrow

Annual Audit Letter

On the 2008/09 Audit

17 December 2009

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1. Executive summary

The purpose of this Annual Audit Letter ("Letter") is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2009, and work undertaken to assess the arrangements to secure value for money in your use of resources. We have addressed this Letter to the members of London Borough of Harrow (the "Council"), as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.

Although this Letter is addressed to the members of the Council, it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission website at www.audit-commission.gov.uk and on the Council's website.

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.

This summary is not intended to be exhaustive but summarises our conclusions in respect of the audit of Harrow Council's Statement of Accounts, the use of resources assessment and the value for money conclusion.

Council's financial statements	We issued an unqualified opinion on the Council's 2008/9 accounts by the statutory deadline of 30 September. We have not yet issued our audit certificate as there is an open objection.
Council's pension scheme annual report	We issued an unqualified opinion on the information in the Council's 2008/9 pension scheme annual report in advance of the statutory deadline of 1 December.
Value for money conclusion	We issued an unqualified conclusion on the Council's arrangements for securing value for money during 2008/9.
Use of resources assessment	We assessed that the Council was performing adequately in its use of resources.

2. The audit of the accounts

Responsibilities of the auditor and the Council

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 the Council's appointed external 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 have responsibilities in two main areas: the Council's accounts; and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA plus") as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Statement of Recommended Practice for Local Authorities 2008.

Key issues arising from the audit of the accounts

We issued an unqualified opinion on the Councils 2008/09 accounts on 30 September 2009, in accordance with the deadline. Our opinion confirms that the accounts present fairly the financial position of the Authority and its income and expenditure for the year. We presented a detailed report on our audit, to the Council's Governance, Audit and Risk Management Committee on 21 September 2009.

We received a complete set of draft accounts, in advance of the agreed deadline which was supported by good quality working papers. The Council's finance team was helpful throughout the process and responded promptly to our audit queries.

A significant adjustment was booked during the course of the audit in relation to the valuation of HRA Council Dwellings. Due to the adverse economic environment during the financial year, an impairment totalling £56.7million was identified and adjusted for in line with the SORP. Unadjusted misstatements totalled £1.3million.

Key issues arising from the audit of pension scheme annual report

This is the first year that the Council had to prepare an annual report in accordance with new statutory requirements, and the first year that auditors have been asked to issue a separate report on the pension scheme annual report. Our report within the pension scheme annual report was unqualified. A number of changes were needed to improve the structure and format of the annual report provided to us before it complied with the new statutory requirements. We recommend officers look at the process for compiling the annual report for future years.

Audit certificate

When our audit is complete, we are required to certify the closure of the audit. In the case of the 2008/09 accounts, we have not yet issued our audit certificate because an objection remains open with a local elector relating to parking and traffic penalty charges.

During 2008/09, the Council acknowledges that it generated revenue of c.£18,000, from additional charges applied to people who settle their parking penalties by credit card, which it now believes maybe unlawful. The Council stopped applying credit card surcharges in relation to parking as soon as they became aware it was unlawful. Where people have requested their credit card charge be refunded, the Council has done so.

3. Value for money conclusion and use of resources assessment

Value for money conclusion

Under the Code of Audit Practice, we are required to give a 'yes/no' opinion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. This is known as the value for money conclusion and is given within our audit report on the Council's Statement of Accounts. We issued an unqualified value for money conclusion for the 2008/09 financial year. This means that we are satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year.

Use of resources

We are required to assess how well the Council manages and uses its resources to deliver value for money and better and sustainable outcomes for local people. This is known as the Use of Resources ("UoR") assessment, and forms part of the Comprehensive Area Assessment (CAA), and comprises three themes that focus on:

- Managing finances: sound and strategic financial management;
- Governing the business: strategic commissioning and good governance; and
- Managing resources: the management of natural resources, assets and people.

For the purposes of the CAA we have assessed the Council's arrangements for use of resources in these three areas as follows:

Element	Assessment
Managing finances	3 (out of 4)
Governing the business	2 (out of 4)
Managing resources	2 (out of 4)
Overall assessment	2 (out of 4)

The detailed KLOE scores are included in Appendix 1.

Key recommendations arising from the review of the Council's use of resources

The Council needs to:

- strengthen its involvement of local people in all areas of the commissioning cycle and develop a clear and unified vision of commissioning;
- implement actions to address the findings highlighted in our data quality spot check review;
- critically assess the joint working arrangements for the Harrow Strategic Partnership;
- take action on issues identified in our feedback to the Council regarding testing the newly revised business continuity plans;
- continue to monitor its financial position closely, as well as planning for anticipated increases in demand for its services to ensure that any potential funding gaps are minimised;
- develop scenario planning in the period beyond the current medium term business strategy, particularly in this period of uncertainty over public spending, to ensure the reserves target can be achieved in the longer term; and
- demonstrate a reduction in the Council's carbon emissions in line with its Climate Change strategy.

4. Other matters

Reports issued

Further detailed findings, conclusions and recommendations in the areas covered by our work are included in our reports issued to the Council as follows:

Report	Date issued
Audit Plan	6 April 2009
Pension Scheme Audit Plan	28 July 2009
Report to the Audit Committee on the 2008/09 audit	16 September 2009
Report to the Audit Committee on the 2008/09 audit of the pension scheme	16 September 2009
Annual Audit Letter	23 November 2009

Analysis of audit fees

An analysis of audit fees is shown in Appendix 2 to this letter.

Independence and objectivity

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 partner and audit staff is not impaired.

International Financial Reporting Standards

The Council will be required to prepare IFRS compliant accounts for the year-ending 31 March 2011 and therefore comparative IFRS balances for the year from 1 April 2009 to 31 March 2010. The Whole of Government Accounts return for 2009/10 will also be required to be submitted under IFRS.

The Council is making the necessary arrangements to enable them to prepare the comparative figures for the 2009/10 financial year.

Use of resources improvement plan

The Council has put in place an improvement plan for use of resources.

5. Closing remarks and basis of preparation

This Letter has been discussed and agreed with the Chief Executive and Director of Finance of the Council. A copy of the Letter will be presented at the next Governance, Audit and Risk Management Committee.

We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit. Our aim is to deliver a high standard of audit which makes a positive and practical contribution and supports the Council's own agenda. We recognise the value of your cooperation and support.

Deloitte LLP
Chartered Accountants

December 2009

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.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources study data and methodology as they are derived solely from the Audit Commission.

This report sets out those audit matters of interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Members and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Members, 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.

Appendix 1: Use of resources scores (by KLOE)

Overall area	KLOE	KLOE score (out of 4)
Managing finances		
	1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	3
	1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	3
	1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	2
Theme total - Managing finances		3
Governing the business		
	2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	2
	2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	2
	2.3 Does the organisation promote and demonstrate the principles and values of good governance?	2
	2.4 Does the organisation manage its risks and maintain a sound system of internal control?	3
Theme total - Governing the business		2
Managing resources		
	3.1 Is the organisation making effective use of natural resources?	2
	3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	3
Theme total - Managing resources		2

Appendix 2: Analysis of professional fees

We have set out below the fees charged in respect of the period 1 April 2008 to 31 March 2009.

	2009 £'000	2008 £'000
Statement of Accounts	282	270
Use of resources and Data Quality	110	98
Whole of Government Accounts (WGA)	5	4
Total fees for work carried out under the Code of Audit Practice	397	372
Fees payable in respect of the certification of grant claims and returns of the Council	110	95
Total	507	467

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