



Auditor's Annual Report

London Borough of Harrow Council – year ended 31 March 2024

February 2025

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Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for London Borough of Harrow Council (‘the Council’) for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 19 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council’s financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued a recommendation in relation to an identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council’s arrangements and a summary of our recommendation.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, we are required to complete a programme of work on the Council’s Whole of Government Accounts return and report to the group auditor in line with their instructions. The NAO are yet to provide confirmation on the approach to selecting sampled components. Without this information we are unable to complete our work and issue our certificate which concludes the audit.

The Local Audit and Accountability Act 2014 outlines our additional powers and duties appointed auditor of the Council. These include issuing a report in the public interest, written a recommendations, application for a court declaration, issuing an advisory notice, issuing an application for judicial review or receiving any objections. We have not exercised any of these additional powers.

Audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 19 February 2025, we have not expressed an opinion on the Council's financial statements.

We were required to report to management and those charged with governance uncorrected misstatements that we identified and any control deficiencies which came to our attention as part of the audit procedures we completed prior to issuing our audit report. The matters we reported are summarised in Appendix A.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- **Delays in the production of draft accounts supported by appropriate working papers:** due to the prolonged nature of the 2021/22 audit, and the knock-on impacts to timelines for the completion of the 2022/23 and 2023/24 audits, the Council on published its Draft Statement of Accounts in December 2024. We have discussed with Council the basis for choosing to delay the publication of subsequent Statement of Accounts. The Council took the choice to delay publication because they did not want to publish information known to be materially incorrect

ahead of the conclusion of prior year audits.

- **Implications of the backstop arrangements:** our initial discussions with the Council, based off initial indicative backstop guidance, concluded that we would complete the 2023/24 audit by the initially proposed May 2025 backstop deadline. Following the release of final guidance which revised this deadline to 28 February 2025, we discussed with management the implication of this new guidance, ultimately meaning the opinion on the 2023/24 audit would be disclaimed.
- **Implementation of IFRS16:** IFRS16 will be implemented for the first time in the 2024/25 Statement of Accounts. Although not relevant to the 2023/24 audit, we discussed the challenges the Council should expect to face based on our learning from NHS audits to assist the Council in its preparations.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error.

Significant difficulties during the audit

During the audit, we did not encounter any significant difficulties, and we have had the full co-operation of management.

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Our work on Value for Money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- 

Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
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Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks later in this report.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Recommendations made?
 Financial sustainability	11	Yes – see risk 1 on page 12	No	No
 Governance	15	No	Yes – see follow up on previously identified weakness on page 22	Yes – see follow up on previously identified weakness on page 22
 Improving economy, efficiency and effectiveness	18	No	No	No

Background to 2023/24

Following a year of significant financial challenges, hyperinflation and political uncertainty fuelled largely by conflict in Ukraine, the Council entered 2023/24 amidst a national cost of living crisis. Economic and political instability was driven by further global conflicts, most notably the coordinated attacks against Israel through Gaza and the associated Israeli retaliation.

The London Borough of Harrow has a socially diverse population hailing from varying socio-economic backgrounds. Given the global economic and political climate, the demand placed on the Council to provide frontline services to support its residents during the downturn continues to increase.

As with previous years, the Council entered 2023/24 facing significant uncertainty in the level of funding and support it would receive from central government. 2023/24 saw similar uncertainties.

However, in the face of this uncertainty, the Council delivered a net underspend of £1.3m against its budget and has one of the strongest performing Housing Revenue Accounts in Greater London. Adding to this, the Council also continue to make steps in regenerating its social housing. During 2023/24, the Council phase 1 of its Grange farm estate redevelopment providing a further 89 affordable for the Borough.

The Council also embarked on organisational change. Most notably this included the appointment of a Managing Director (Head of Paid Service) to replace the former Chief Executive Officer. In additions, 2023/24 saw significant recruitment to the internal audit function, bolstering the functions resourcing.

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work								
<p>Financial sustainability - how the body plans to bridge its funding gaps</p> <p>The Council identified a budget gap of £6.3m in 2025/26 as part of its process for setting the 2023/24 budget and MTFS to 2025/26.</p> <p>During the budgeting process completed during 2023/24, the budget for 2024/25 and MTFS to 2026/27 revised that budget gap for 2025/26 to £10.9m and identified a further gap of £6.7m in 2026/27.</p> <p>There is a risk that the Council’s annual budgeting process is not considering all relevant factors resulting in future projected budget gaps changing year on year.</p> <p>1 Noting that the Council already runs an annual savings plan, there is a risk that fluctuating budget gaps prevent the Council planning savings at an appropriate level to balance future budgets</p>	<p>Work undertaken</p> <p>We will review the budgeting process for 2025/26 across the various MTFS’s and consider why the budget gap has varied between years to determine if the Council is considering all relevant factors. We will also review all subsequent MTFS’s to ensure the Council savings plan is sufficient to ensure future budgets are subsequently balanced.</p> <p>Results of our work</p> <table><tr><th>Budget year</th><th>2025/26 budget gap (£’000)</th></tr><tr><td>2023/24</td><td>£6,300</td></tr><tr><td>2024/25</td><td>£10,900</td></tr><tr><td>2025/26</td><td>£-</td></tr></table> <p>The major reason for the increase in the gap between 2023/24 and 2024/25 was due to no additional grant funding being assumed due to the Local Government Settlement not yet being agreed. Additional service pressures were built into the 2024/25 to account for overspends in the 2023/24 budget.</p> <p>The budget for 2025/26 was balanced. The main contributors to the elimination of the 2025/26 gap was updating the council tax increase assumption to 4.99% (from 2.99% previously) following the confirmation of the council tax referendum threshold at the Provisional Local Government Finance Settlement. Additional government funding was also announced in January 2024 in relation to social care, totalling £2.3m for the Council. This was received after the 2024/25 budget was finalised and set.</p> <p>The 2025/26 budget, reported to Cabinet and full Council in February 2025, has now been balanced. The Council makes use of the most relevant information available when setting budgets and changing gaps are because of uncertainty in central settlements and funding for the relevant years. We are therefore satisfied the Council has suitable arrangements in place to ensure future budget gaps are bridged.</p>	Budget year	2025/26 budget gap (£’000)	2023/24	£6,300	2024/25	£10,900	2025/26	£-
Budget year	2025/26 budget gap (£’000)								
2023/24	£6,300								
2024/25	£10,900								
2025/26	£-								

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Financial planning and monitoring arrangements

The Council's financial planning and budgeting arrangements are well established and include a wide range of activities and consultations. The budget setting process includes engagement with senior Council officers and incorporates discussion about the delivery of statutory services/priorities and the impact on resources. Where additional resources are required, these are scrutinised and challenged before they are included in the budget estimates. Workshops with officers and Members are a key part of the budgeting arrangements, and these are detailed and extensive.

The process involves consultation and discussion with officers and Members around the assumptions and principles on which the detailed budget is based. A range of officer meetings and discussions take place to review proposals for savings and budget reductions, with each proposal supported by evidenced assessments of deliverability and potential savings.

Proposals are subject to consultation with staff, officers and Members and are presented to meetings attended by Cabinet Members and senior officers and Governance, Audit, Risk Management and Standards Committee members before submission to, and approval at, Full Council as part of the formal budget and council tax setting process.

The Council set a balanced budget for 2023/24, without the need to draw on reserves, after forecasting for a maximum increase in council tax of 4.99% in line with announcements made in the 2022 Autumn Statement on core spending power for local government. In preparing the 2023/24 budget, the Council acknowledged that income from certain business activities was unlikely to go back to pre-Covid levels and this was right-sized as part of the budget process. There was also a recognition of the cost impacts of some of the Administration's priorities since they took power in May 2022, for example, loss of income arising from 1-hour free parking. In addition, demand and price pressures in Children and Adult social care were a national issue. Budget growth was provided for after a robust assessment of future demand. To accommodate the growth, a range of savings were also proposed across all directorates.

We have reviewed a range of the budget preparation documents and minutes of meetings held as part of the budget setting process. This confirmed that the documents were comprehensive and detailed and the process for development had been completed on a timely basis and delivered the intended outcomes to assist with the budget preparation.

Identifying, managing and monitoring funding gaps and savings

The Council produces a Medium-Term Financial Strategy (MTFS) each year alongside its annual budget. This sets out the resources available to deliver the Council's overall commitment to provide services that meet the needs of people locally over the planned three-year period and is updated and extended as part of each year's budget setting process. To balance the 2023/24 budget and future budgets, the Council has been required to deliver significant savings. The Council has a strong track record of delivering savings, achieving over £105m in total between 2013/14 and 2022/23 inclusive. During 2023/24, the Council committed to further savings of £18.3m in the MTFS to 2025/26.

The Council employs a process of efficiency review and service redesign to identify savings, challenging individual budget holders annually. In 2023/24, this resulted in the delivery of a total planned savings of £8.6m.

The Council provided quarterly reports of its financial position to Cabinet across the year, as well as at year end, which reported its revenue outturn position for 2023/24 as an overall underspend of £1.3m, which was used to grow the budget planning reserve to support the balancing of future budgets. We have reviewed a sample of the reports presented throughout the year and these were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a range of other financial measures and other performance information.

Officers and Members actively review and consider overall performance in line with this information. The Council has a well-established timetable for Cabinet reporting which includes reporting to directorate, divisional and strategic management teams.

Despite the Council's efforts to identify savings and monitor progress against budgets, the budgeting process completed during 2023/24, which culminated in the 2024/25 budget and MTFS to 2026/27 saw the budget gap for the 2025/26 financial year increase from an initially reported £6.3m to a revised £10.9m. A further gap of £6.7m was identified for 2026/27. However, the 2025/26 gap was eliminated following the Provisional Local Government Finance Settlement and notification of additional funding and the gap in 2026/27 reduced to £5.5m in the subsequent budget.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Ensuring financial plans support the sustainable delivery of services and consistency with other Council plans

Throughout the financial year officers provided updates on treasury management, revenue and capital budgets to Cabinet and the Governance, Audit, Risk Management and Standards Committee (GARMS) as appropriate. These reports are provided to give assurance that the relevant plans, and outturn to date, are supporting the day-to-day operational requirements of the Council.

The Council uses its MTFS to inform spending plans and funding requirements for the provision of its services. The MTFS reflects the need to deliver statutory priorities as well as to implement corporate flagship actions as part of the Administration's priorities. When preparing the MTFS, the Council keep in view its Corporate Plan, which sets out its vision and priorities over 3 years. The Plan consists of a few Flagship Actions to deliver the priorities.

The Harrow economic strategy is the Council's framework to address some of the root causes of poverty and inequality, by addressing low skills and wages, creating jobs and addressing inequalities to improve the skills and employability of our residents and stimulating business growth and job creation.

Our committee, Cabinet and full Council minute reviews show the Council constantly monitors the outcome of the revenue and capital budget and ensures they are all tying in to working towards the Council's long-term strategy.

Managing risk to financial resilience

To support management of its risks to financial resilience, the Council maintains a risk register. Whilst not specifically for financial risks, this is the underlying process for identifying risks the Council faces and includes financial risks. Review of this risk register confirms risks, particularly around pressures on social care budgets, being tracked provide leadership with oversight of the Council's financial resilience.

Each risk is assigned a score in line with its potential likelihood and its potential impact. Responses to these risks are then determined in line with the Council's risk appetite. Through our attendance of Governance, Audit, Risk Management and Standards Committee meetings, we have confirmed that the register is reviewed frequently, actions are appropriately tracked, and the Council's risk appetite is kept under review in line with the environment in which it operates.

As part of the financial planning process, during the consultation phase with senior management, risks identified in the register are built into the planning process. This ensures the Council's financial plans are incorporating all the major pressures and risks it faces into future periods.

The Council also makes use of reserve balances to ensure financial resilience. The Council, at 31st 2024, had total usable reserves of £179m. These are usable reserves that the Council can draw upon in future periods to meet service demand. However, management have the attitude that reserves should not be relied upon to balance budgets. This is demonstrated by the total underspend of £1.3m in 2023/24 being added to the budget planning reserve, which has been set up with the specific purpose to provide additional contingency to support the budget and uncertainty in funding in future periods.

Overall view on arrangements in relation to financial sustainability

As a result of the programme of work performed, we are satisfied that the Council has appropriate arrangements in place in relation to financial sustainability.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

The Council has an established risk management framework that aligns financial accountability with service decision-making, embedded within the Council's governance structure. There are Corporate and Operational Risk Registers in place which are refreshed to reflect any significant changes in circumstances in which the Council operates and the current challenges and opportunities it faces. The Governance Audit Risk Management and Standards Committee (GARMS) reviews the effectiveness of the Council's arrangements and has continued to receive relevant update reports and briefings.

The Council have an internal audit team, led by the Assistant Director Audit and Anti-Fraud (previously the Interim Head of Internal Audit & Corporate Anti-Fraud). They are responsible for the annual delivery of the internal audit work programme. Each year, a risk-based plan is formulated which balances coverage of areas across the business cyclically as well as leaving space for thematic reviews as the need arises. This plan is reviewed and approved by GARMS annually.

The internal audit function achieved completion of 93% of its plan, with a total output of 24 full completed report stage reviews. The execution of this plan during 2023/24 is detailed in the annual internal audit opinion, which for 2023/24 stated: *'Reasonable assurance can be given that the systems and processes in place throughout the Council support the achievement of its objectives and generally comply with Harrow's Local Code of Corporate Governance. The Council is currently aware of issues that could affect its financial position such as, but not limited to, ongoing cost pressures associated with the delivery of Children's and Adult Social Care Services, Temporary Housing costs and the cost-of-living crisis.'*

GARMS is regularly updated on the progress of work against the internal audit plan. Our review of GARMS minutes, as well as attendance at meetings, confirms that the internal audit plan is effectively agreed prior to commencement and any weaknesses in controls identified through internal audit's work are highlighted and brought to the committee throughout the year.

In August 2021, the Council were alerted to allegations of fraud and corruption within a particular service area that are currently subject to a criminal investigation by the Police. The Council completed an internal audit review of the systems in place and commissioned an independent review with the same scope. The independently led review, which concluded in May 2022, raised

five recommendations for the Council to address to improve its internal control and reduce the risk of similar events occurring in the future.

We first reported a significant weakness in the Council's governance arrangements to prevent and detect fraud in our 2021/22 Auditor's Annual Report and recommended that all recommendations made by internal audit and the independent review were implemented.

It is the Council's assessment that due to high turnover in senior management at the Council, turnover in the service area subject to the allegations and transformation of Council systems, progress against the initial recommendations was limited. As a result, a further internal audit review was commissioned. As a result, the weakness remained relevant in 2022/23.

The follow up internal audit review was reported in December 2024 and provided limited assurance over the operation of controls for the service area subject to allegations of fraud and corruption. The review attributed the lack of progress to staff turnover in the service area and highlighted the recommendations provided by the external review in May 2022. As a result, we have concluded the weakness first reported in the 2021/22 Auditor's Annual Report remains outstanding.

Budget setting and budgetary control

The Council follows an annual budget setting process that meets all its statutory (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements. The Council has a well-established, rigorous, budgetary process, with directorate budget holders required to provide detailed budgets for all cost and income headings within their directorate. This process is completed for both revenue and capital budgets, with the latter being indicative spend to assist with funding and borrowing requirements.

The budget setting process is completed alongside the overall business and corporate planning process, to ensure budgets align with the performance objectives of the Authority. As part of the process, budget holders are asked to provide key information on forecasts for the following two years which is used to update the detail in the MTFS.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria – continued

During 2023/24, the Council completed its annual budget setting process for 2024/25 and the production of its MTFS to 2026/27. The budget for the 2024/25 year was balanced with gaps of £10.9m for the 2025/26 financial year and a further gap of £6.7m for 2026/27.

Following approval of the budget, progress against targets is then monitored on a regular basis through the preparation of monthly management accounts, which are subject to challenge on key variances from the agreed budgets. Throughout the year budget holders are required to produce an updated budget, or reforecast, for the full year based on actual results to date and a re-review of the budget for the remainder of the year that takes account of recent trends and known changes to future projections.

We have reviewed Council minutes and confirmed there was regular reporting of the financial position during the 2023/24 financial year, including detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year and did not indicate a weakness in arrangements. The data is also reported to Senior Management Team and Cabinet.

Decision making arrangements and control framework

We have reviewed Council minutes throughout the year and have not identified any evidence of a weakness in arrangements. The reports reviewed support informed decision-making and were clear in the decision or recommendations that Members were asked to make.

Items for decision are subject to discussion and scrutiny prior to approval. The Council is transparent in its decision making. Key decision notices are produced and made publicly available via the Council's website. This log of published notices also contains officer decisions that have been approved under the scheme of delegated authorities.

GARMS has a purpose as detailed within its terms of reference to provide independent assurance on the adequacy of the Council's governance, risk management and control frameworks. GARMS oversees both internal and external audit and promotes and maintains high standards of conduct by Councillors, co-opted members and parent governor representatives. GARMS met regularly throughout 2023/24. We noted officers and relevant committees making full use of the reporting

packs and information provided to them.

The Council also has an overview and Scrutiny Committee. As part of its function, this committee is in place to challenge decisions taken by the Council and provide transparency of this challenge.

The Council has a standing item at all committee meetings for the declaration of interests by members, with members also expected to complete internal declarations on a regular basis (in line with the Governance framework). These declarations are logged in a publicly held register and is available for viewing on the Councils website. These registers also log any gifts and hospitality received by members, with members regularly reminded of the need to update records.

Ensuring legislative and regulatory requirements are met

Assurance on compliance with regulatory requirements is regularly reported to GARMS using summary reports. The Council also follow a process of internal reviews and inspections to ensure reporting standards are being met. There have been no significant issues identified during 2023/24 from these reviews and inspections.

The Council also has established policies for both Counter Fraud and Corruption and Standards of Business Conduct. These have been prepared in accordance with the Bribery Act and central government guidance on the risk management of conflicts of interest. Employees are informed of changes via the Council's intranet. Senior officers and members are required to make declarations throughout the year. These policies, along with all other policies officers and members are required to adhere to, are included within the Council's constitution.

Overall view on arrangements in relation to governance

Based on the above considerations, we have concluded that there remains a significant weakness in the Council's governance arrangements to prevent and detect fraud, for which our recommendation raised in 2021/22 has been maintained.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Assessing performance and evaluating service delivery

The Council has an established performance monitoring framework, which is used to identify areas for improvement. Key to this monitoring is the quarterly outturn to budget reports submitted to Cabinet. These reports hold a detailed breakdown of spend-to-date against budgets, which can be broken down to individual budget holder level within each directorate, as well as being summarised at service level. This mix of high level and in-depth detail allows for Cabinet to monitor overall performance and address any issues identified. Monthly budget updates are provided to the corporate leadership team, and mitigating actions are identified for any areas of significant budget variances.

Annually, Cabinet and Full Council are presented with a final outturn report detailing the Council's performance against budget for the year. The 2023/24 outturn reported a £1.3m underspend which was largely driven by additional funding in Q4 of the year.

The Performance & Finance Scrutiny Sub-Committee meets 3 times a year to consider and monitor the performance of the Council and its partners.

The performance of the Council and its partners are measured against the new Corporate Plan and Economic Strategy implemented by the new administration, which were approved in 2023.

The Council reports annually a detailed performance summary, in the form of a Narrative report, forming part of the Statement of Accounts. This provides details of the Council's performance for the year and a summary of the outlook for the coming year.

The range of services provided by the Council are subject to external regulation. The Council makes use of these reports to evaluate its own performance. Adults Services were inspected by the Care Quality Commission (CQC) in April 2024 under an updated review process. The Council are one of the first in the country to have been assessed through this new process. Harrow was rated as 'requires improvement.' Management consider the report shows that the Council are a small step away from being recognised as 'good' by the CQC. There is a clear path to a good rating or better. The Council have since prepared a response outlining actions that will be taken showing the findings are being used to inform improvements.

The last main OFSTED report was undertaken in 2020 and returned grades of 'good'. The OFSTED

report on multi-agency response to children and families who need help in Harrow in May 2023 concluded that the Harrow Strategic Safeguarding Partnership does not have effective oversight and scrutiny of the multi-agency safeguarding arrangements or early help offer in Harrow. However, it also concludes that children and their families benefit from a wide range of early help services that support them to improve their lived experiences. On balance the report details several strengths and areas for improvement, which are also confirmed to be being actioned by the Council. As such we are satisfied there is no weakness in arrangements, and the Council is using the reports to improve its service delivery.

In February 2023, the Council was voluntarily subject to a Local Government Association (LGA) corporate peer review. The report published by the LGA concluded that the Council's leadership had a clear purpose and focus. Despite the changes in key senior management positions, the review considered the Council to be a stable organisation due to its well-established governance frameworks.

Effective partnership working

As part of their arrangements for the provision of residential care services, the Council has partnered with Sancroft Community Care Ltd, with the Council the 100% owner of the partner. The services provided by company fall under the scope of the Care Quality Commission, for which good ratings have been received to date. As part of the Council's performance management framework, review of the arrangement is considered as part of Cabinet's performance monitoring.

The Council has a joint venture partnership with Wates, called Harrow Strategic Development Partnership (HSDP), which was formed in 2021. The principal activity of the joint venture is the building and selling of residential apartments in the Borough to support the regeneration of affordable housing available to residents. In 2023/24 no major transactions took place as all projects were in the planning phase.

The Members Agreement between the Council, Wates and HSDP sets out the contractual terms and conditions under which HSDP operates, including the formation of a Partnership Board that is tasked with the leadership, strategy and day-to-day direction and oversight of HSDP's activities. The Board consists of representative from the Council and Wates.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria – continued

The HSDP Business Plan is refreshed annually and presented to Cabinet for consideration. The last report was presented at Cabinet in January 2024. The plan clearly outlines the strategy for the next year and beyond and how the actions align to the overarching objectives of the joint venture.

Procurement and commissioning services

The Council has a procurement strategy and approach which ensures that it complies with all legal and regulatory requirements as well as achieving best value in procurement processes. Standardised templates and procurement standing orders are used throughout the procurement process to ensure consistency of approach.

A Corporate Procurement Team supports officers across the organisation in procurement activity to ensure compliance with all relevant legislation including the Public Contract Regulations 2015. Each directorate across the Council has a procurement board, the purpose of which is to ensure procurement projects are being delivered on time, budget and compliantly. The board also is responsible for cascading procurement compliance and best practice.

The procurement reporting process requires approval to commence a procurement and then approval to award a contract. These reports go through procurement, legal, finance and audit clearance on their way to overall approval and Portfolio holders are regularly engaged and consulted on procurement decisions.

Contracts awarded to third party suppliers have contract managers assigned to them to ensure the delivery promised in the procurement process is delivered by the supplier. A Contract Management Guide and toolkit supports Contract Manager in their role.

The Council have also increased training around procurement to its staff. In recent years over 300 training sessions have been delivered to officers and members, with the development of officers as a key goal for the Council in 2023/24 as the Procurement Act 2023 is implemented.

Overall view on arrangements in relation to improving economy, efficiency and effectiveness

Based on the above considerations, we are satisfied the Council has appropriate arrangements in relation to the improving economy, efficiency and effectiveness.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

In November 2023, as part of our 2020/21 audit we reported a significant weaknesses in governance arrangements to the Council. As part of our work in 2021/22 and 2022/23, we followed up the progress made by the Council against the recommendations made and determined the significant weakness remained during the year. We have again followed up on progress against the recommendation as part of our 2023/24 audit:

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Governance in relation to allegation of fraud and corruption</p> <p>In August 2021, the Council were alerted to allegations of fraud and corruption that are currently subject to a criminal investigation by the Police. Allegations of fraud and corruption indicate a possible significant weakness in relation to the Councils system to obtain assurance over the operation of internal controls, including those designed to detect and prevent fraud.</p> <p>1 The Council's Annual Governance Statement (AGS) for 2020/21 and 2021/22 reports this matter as a significant governance matter. The AGS for 2021/22 recognises that the independent review identified 5 recommendations aimed at strengthening controls to mitigate the risk of fraud. Having considered the work of internal audit and the independent review, we consider there to be sufficient evidence of a significant weakness in the Council's governance arrangements for how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</p>	Governance	We recommended that the Council fully implemented all the recommendations identified by the independent review and by its own internal audit as quickly as possible.	Internal audit undertook a further review during 2024, the final report was issued in December 2024. This review concluded that there was a limited level of assurance in the controls in place to manage the risks associated with the department in which the incidence occurred. The limited assurance provided was attributed primarily to the lack of supporting documentation on project files and instability within the staffing of the service area subject to the allegations resulting in a high staff turnover and reliance on agency staff, which has prevented the recommendations raised being appropriately addressed.	The Council is currently taking steps to address these weaknesses however, during 2023/24, the previously identified weakness still exists, and the associated recommendation remains unaddressed.

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Other reporting responsibilities

Matters we report by exception

Our powers and responsibilities under The Local Audit and Accountability Act 2014 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 2023/24 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. No such objections have been raised.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

In line with group audit instructions issued by the NAO, we are required to complete a programme of work on the Council’s Whole of Government Accounts return and report to the group auditor in line with their instructions. The NAO are yet to provide confirmation on the approach to selecting sampled components. Without this information we are unable to complete our work and issue our certificate which concludes the audit.

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of London Borough of Harrow Council for the year ended 31 March 2024, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the current and prior periods, are outlined below.

Fees for work as the Council’s appointed auditor

At this stage PSAA have not prescribed the fees payable for undertaking procedures to issue a disclaimed audit report. We currently estimate that to complete our full VFM responsibilities for the Council, the minimum backstop procedures, and those above the requirement that had already been completed in good faith ahead of backstop guidance and deadlines being published, to be approximately 60% of the scale fee for the Council.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Code Audit Work	£391,578	£116,057
Additional fees due to changes in accounting and auditing standards	-	£33,547
Additional fees due to Council specific risks and challenges	-	£149,000
Fee reduction due to backstop guidance reducing level of audit procedures (40%)	£(156,631)	-
Total fees	£234,947	£298,604

Audit fees and other services

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Housing benefits subsidy assurance	-	£21,000
Teachers' pensions assurance	-	£4,300
Pooled housing capital receipts assurance	-	-

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