

# Harlow District Council

Auditor's Annual Report: Years ended:

31 March 2019

31 March 2020

31 March 2021

31 March 2022

31 March 2023

Report to the Audit and Standards Committee



# Contents

Table Of Contents	2
Executive summary	3
Purpose and responsibilities	4
Financial statements	5
Value for Money summary	6
Value for Money detail	8
Financial Sustainability	9
Governance	11
Years prior to 2020/21	13
Appendix 1	14



# Welcome

## Executive Summary

- Table Of Contents
- **Executive summary**
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- Value for Money detail
- Appendix 1

This Auditor's Annual Report provides a summary of the key issues arising from our audit of Harlow District Council (the 'Authority') for the years ended 31 March 2019, 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023.

### Financial statements

We are issuing the following opinions on the Authority's financial statements on the following dates:

- Year ended 31 March 2019, disclaimer of opinion on 13 December 2024.
- Year ended 31 March 2020, disclaimer of opinion on 13 December 2024.
- Year ended 31 March 2021, disclaimer of opinion on 13 December 2024.
- Year ended 31 March 2022, disclaimer of opinion on 13 December 2024.
- Year ended 31 March 2023, disclaimer of opinion on 13 December 2024.

Where we have issued a disclaimer of opinion, we do not express an opinion on the financial statements because we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

### Value for money

We have not identified any significant weaknesses in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

### Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (2024). This report has been prepared solely for the use of the Authority and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.



**Ciaran McLaughlin**  
VFM Key Audit Partner

e: [ciaran.mclaughlin@bdo.co.uk](mailto:ciaran.mclaughlin@bdo.co.uk)  
t: +44(0)1473 944 736



**Jordan Hearne**  
Audit Manager

e: [jordan.hearne@bdo.co.uk](mailto:jordan.hearne@bdo.co.uk)  
t: +44(0)20 3860 6079

# Purpose and responsibilities

## Executive summary

- Table Of Contents
- Executive summary
- **Purpose and responsibilities**
- Financial statements
- Value for Money summary
- Value for Money detail
- Appendix 1

### Purpose of the Auditor's Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the years ended 31 March 2019, 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023.

It is addressed to the Authority but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

### Responsibilities of the Authority

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Authority is also responsible for preparing and publishing its Statement of Accounts, which includes its financial statements, narrative report and annual governance statement.

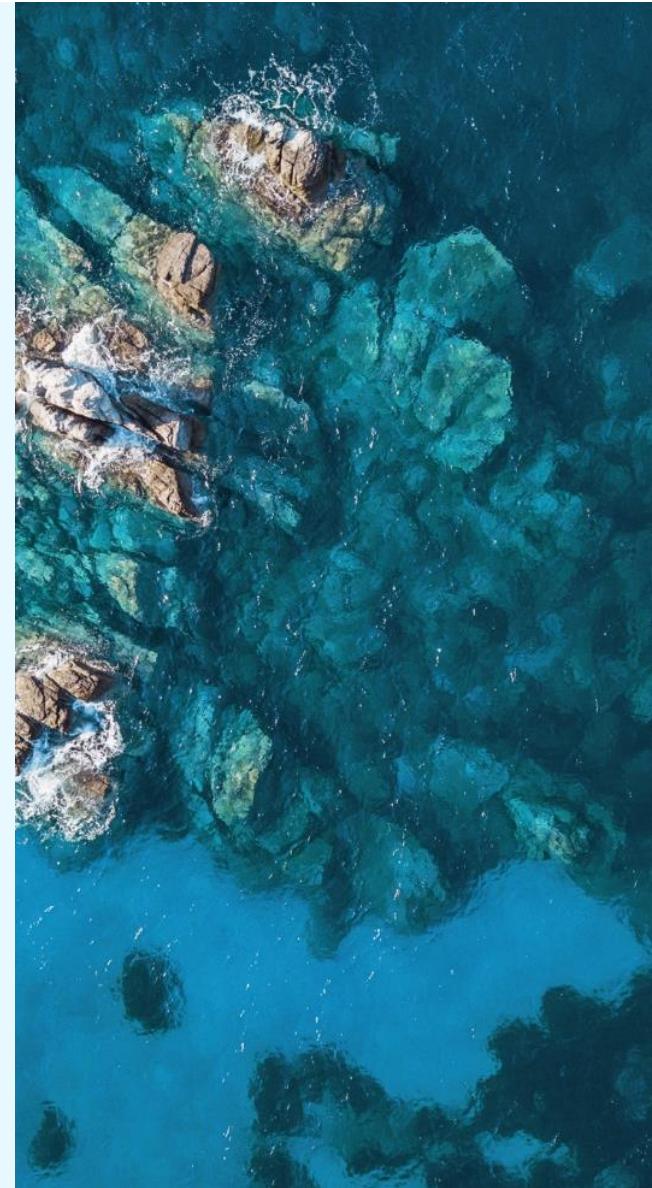
### Responsibilities of auditors

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice 2024 (the 'Code'). The full requirements of our audit are listed in Appendix 1.

### Additional reporting powers

The Code also identifies additional reporting powers, which are also included in Appendix 1.

We can confirm that that no additional reporting powers have been used.



# Financial statements

## Financial statements

- ▶ Table Of Contents
- ▶ Executive summary
- ▶ Purpose and responsibilities
- ▶ **Financial statements**
- ▶ Value for Money summary
- ▶ Value for Money detail
- Appendix 1

### Disclaimed audits

For the years ended 31 March 2019, 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023, we issued a disclaimer of opinion on the financial statements.

These were disclaimed because of insufficient time to design and/or execute audit procedures prior to the backstop date.

### Significant difficulties in undertaking the audit

Where auditors have reported under ISA(UK) 260 on delays to the audit opinion or significant difficulties encountered when undertaking their work, these should be reflected in the Auditor's Annual Report unless the auditor judges that public disclosure would not be appropriate. We have not experienced any such difficulties.

### Whole of Government Accounts

For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £2 billion in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Authority for use by the Ministry of Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.

This work requires checking the consistency of the DCT return with the audited financial statements and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

The National Audit Office have confirmed that WGA returns are not required for any years up to 31 March 2023.





# Value for Money

## Summary

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- **Value for Money summary**
- Value for Money detail
- Appendix 1

### Scope

We are required to review and report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement.

### Specified criteria

The NAO has issued guidance for auditors to report against two specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Authority can continue to deliver its services
- Governance - informed decisions and properly managing risks

The Code also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

This scope covers audits for the years 2020/21 to 2022/23 inclusive and represents a reduction in scope compared to the 2020 Code previously in force.

### Risk assessment

Our risk assessment did not identify any risks of significant weakness.

For years ended 2019 and 2020, our work was performed under the original scope set out in the Code of Audit Practice (2015). Please see the page titled "**Value for Money (2020 Code)**" for further details.

### Note on status of Code of Audit Practice (2024)

The Code of Audit Practice (2024) was laid in Parliament in September 2024 and became effective on 14 November 2024. Our work is reported in line with the requirements of this revised code (see overleaf).





# Value for Money (Audits prior to 2020/21)

## Summary

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- **Value for Money summary**
- Value for Money detail
- Appendix 1

### Scope

In the case of Harlow District Council, our report also covers the years ended 31 March 2019 and 31 March 2020. The VFM conclusions for this work were performed under the Code of Audit Practice 2015, rather than the revised Code of Audit Practice 2024.

While we are required to report any significant weaknesses identified in respect of these earlier periods, we are not required to include a detailed commentary.

For years prior to 2020/21, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis.

This is based on the following reporting criterion:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

There are three sub criteria that we consider as part of our overall risk assessment:

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

Auditors give a conclusion on whether or not arrangements are in place to secure value for money. If auditors are not satisfied that proper arrangements are in place, the qualified conclusion will either be issued on an 'except for'

or an 'adverse' basis:

- Except for conclusions relate to weaknesses in arrangements in specific areas, such as poor financial planning or failure to manage a significant contract properly.
- Adverse conclusions relate to weaknesses so widespread or extensive in their impact that the auditor is not satisfied that proper arrangements are in place, such as where financial planning failures are so significant that the organisation is in severe financial difficulty, or there are serious weaknesses in the quality of key services.





# Value for Money (2020/21 - 2022/23)

## Summary

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- **Value for Money detail**
  - Financial Sustainability
  - Governance
  - Years prior to 2020/21
  - Appendix 1

### Audit conclusion

We have not identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

While we have not identified any significant weakness, Local Authorities generally are facing significant ongoing financial challenges and Harlow District Council is likely to be no exception to these challenges. Managing their financial position effectively in the short and medium terms will need to continue to be a key area of focus for them.

### Other matters on which we report by exception

We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. This applies to the years 2019/20, 2020/21, 2021/22 and 2022/23 as well; because of the significance of the matter described in the Basis for disclaimer of opinion section of our report for each year, we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Except for the matter(s) above, for all of the five years covered by this report, we had no other matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the Authority's value for money arrangements.







# Financial Sustainability

## Planning and managing resources

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- **Value for Money detail**
  - Financial Sustainability
  - Governance
  - Years prior to 2020/21
  - Appendix 1

### Auditor's commentary on arrangements

#### Areas reviewed

- *How significant financial pressures relevant to short and medium-term plans are identified and built into plans;*
- *Plans to bridge funding gaps and to identify achievable savings*
- *How financial plans support the sustainable delivery of services in accordance with strategic priorities*
- *Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.*

The primary means by which the Authority supports financial sustainability is the Medium-Term Financial Strategy (MTFS). The MTFS sets out how the council plans to manage its finances over the medium term, aligning resources closely to priorities set out in the Authority's Corporate Plan and its commitment to providing services that meet the needs of people locally. A key part of the strategy is to highlight the budget issues that will need to be addressed over the coming years. Development of the Authority's MTFS and the detailed planning of future budgets is emphasised by the Authority to be an on-going process rather than an annual review, feeding from other management

reporting processes.

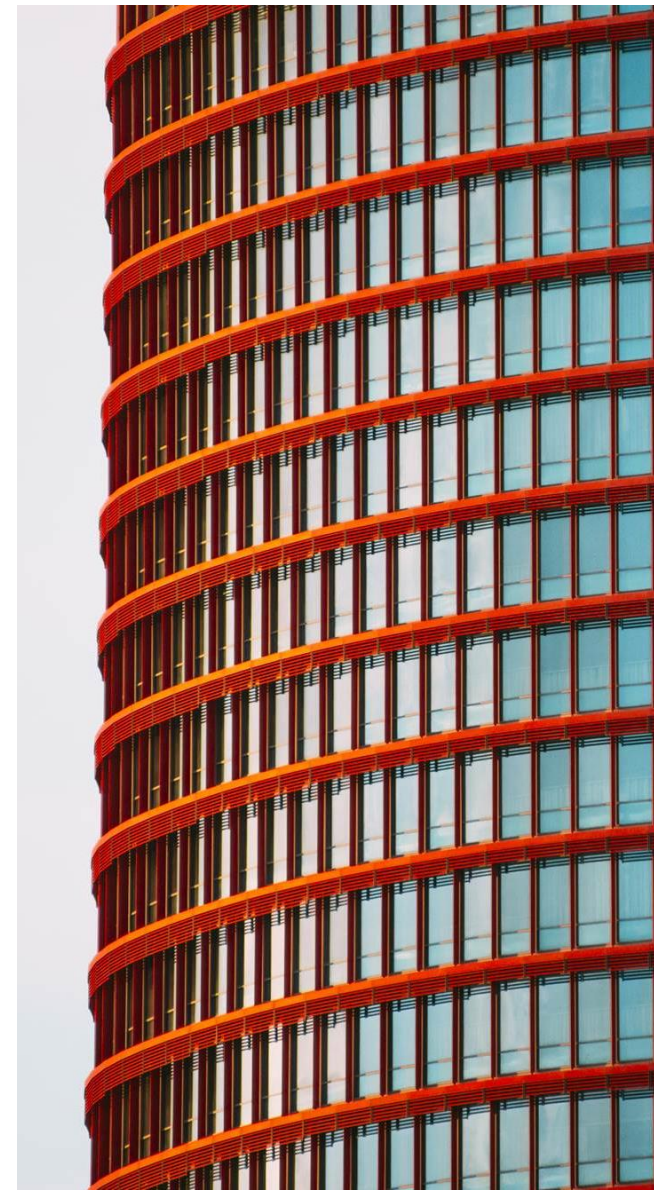
The MTFS for 2016/17 through to 2020/21 was first adopted in February 2016. It required the Authority to find savings in 2020/21 of £0.382 million, inclusive of a 1.5% increase in Council Tax. General Fund revenue reserves were to be maintained at or above the approved recommended minimum level of £2.5m.

By the end of 2020/21, the General Fund balance sat at £2.872m with an underspend of £0.129 million after adjustment for budget carry-forward of £0.242m.

The MTFS covering 2021/22 to 2023/24 required the Authority to find savings of £0 in 2021/22 and £0.185 in 22/23.

The Authority's intention for the General Fund balance was to restore this to around £4 million by 2022/23 to provide sufficient scope to manage any long term impacts of Covid-19 and/or the transitional phase of the proposed new finance system for local government to enable funding reductions to be managed.

By the end of 2022/23, the General Fund Budget outturn position was an adverse variation against the approved budget of £411,000 or 0.69% when compared to the approved gross General Fund Budget. This was projected to be £666,000 (1.12%) at Q2 and £480,000 (0.8%) at Q3 and so had shown some sign of improvement by the year end. The General Fund balance moved from an opening position of £3.834 million to £3.233 million at the year end.





# Financial Sustainability

## Planning and managing resources

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- **Value for Money detail**
  - Financial Sustainability
  - Governance
  - Years prior to 2020/21
  - Appendix 1

The Authority's review of variances against budget in the Year End 2022/23 Joint Finance and Performance Report indicates areas of (relative) high adverse outturn, these being reduced rental income in the Housing General Fund as well as a lack of rebate/management charge from the Authority's environmental and property maintenance services subsidiary (HTS).

The adverse variation against target for the year is likely to raise challenges for financial planning and sustainability in the future. This was reflected in the Medium Term Financial Plan Update 2024-2028 presented to Full Council in December 2023, which revised the General Fund Reserve target back down to £2.5 million.

While we have not identified a significant weakness in this regard, there are ongoing significant financial challenges for all Local Authorities and Harlow District Council is unlikely to be an exception. Managing their financial position effectively in the short and medium terms will need to continue to be a key area of focus for them.

The MTFS integrates key strategic priorities such as capital investment strategy, treasury management strategy, strategic risk considerations and outlines the consistency of planned actions with the overall Budget Strategy (see above).

In 2024/25 the Authority intends to undertake a review under the CIPFA Financial Management Code 2019 to ensure they are compliant or develop an action plan to address any deficiencies identified.

The longer-term sustainability of plans is further

underpinned by the treasury management strategy which sets out a framework for sustainable capital financing such as borrowing limits, investment strategies and the minimum revenue provision (MRP) which is charged across the estimated useful life of the relevant asset or period over which benefits from the related expenditure are expected to occur.

External borrowings remain a significant part of the Authority's capital financing requirement, being £212m at the start of our period (31/03/2020) and remaining at a similar level throughout the period, being £234m at 31/03/2023 per the financial statements for that year.

The Authority's Risk Register includes a risk in relation to financial resilience and the Medium Term Financial Strategy, which helps to identify specific challenges to financial resilience and corresponding mitigations. This is updated alongside the MTFS. Throughout the period under our review, the MFTS has 'Major' risk impact rating, though the likelihood has decreased from 'likely' to 'moderate' over the three year period. Where appropriate the detail of the risk has been updated for the circumstances.

**From our work performed we have not identified any significant weaknesses in arrangements or recommendations to report.**







# Governance

Informed decisions and properly managing risks

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- **Value for Money detail**
  - Financial Sustainability
  - **Governance**
  - Years prior to 2020/21
  - Appendix 1

## Auditor's commentary on arrangements

### Areas reviewed

- *Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.*
- *Effective systems and processes are in place to ensure budgetary control, to communicate relevant, accurate and timely management information, support statutory financial reporting requirements and ensure corrective action is taken where needed, including in relation to significant partnerships.*
- *The Authority makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency*

These functions are primarily performed through the Audit and Standards Committee.

Throughout the period, key elements of this remit include:

- Review of updates from internal and external audit, including plans, progress reports and the results of work
- Oversight of financial and governance reports, ensuring there are adequate arrangements in place for challenge and accountability
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the Council's exposure to the risks of fraud and corruption.

- Consider the effectiveness of risk management arrangements

There is a systematic programme of internal audit work. For all three years, the overall opinion of the Authority's Head of Internal Audit was that the Council had "an adequate and effective governance, risk management and control framework."

The Audit and Standards Committee receives regular updates on the progress of Internal Audit, including tracking of recommendations. In addition they exercise their oversight of risk management function by regular receipt of Risk Management Reports from the Finance Team. These reports highlight strategic risk updates and compare the council's strategic risks with the agreed risk appetite threshold for linked council priorities and principles.

The budget setting process takes place on an annual basis. For the period under review this has been finalised before the start of each financial year, with reports being taken to the Committee, Cabinet and Full Council. In practice much of the consultation takes place earlier in the year.

Budget reports are supported by detailed analyses and appendices including estimates over business rates income, pay policy statements, revenue profile, general fund budget business plans, earmarked reserves projections, the strategic risk register, capital schemes, capital and investment strategy and treasury management strategy.





# Governance

## Informed decisions and properly managing risks

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- **Value for Money detail**
  - Financial Sustainability
  - **Governance**
  - Years prior to 2020/21
  - Appendix 1

Where relevant the outputs of these are referred to and summarised in the main body of the MTFS. Ultimately this supports the reporting of timely information and the identification of matters requiring corrective action. This is also supported by updates on outturn and the MTFS.

A key element to ensuring corrective action is through implementing internal audit recommendations, particularly where these are high priority or linked to areas where limited assurance has been given. The Audit and Standards Committee receives regular updates from internal audit.

For 2020/21, two of the nine internal audit reports concluded 'limited assurance' - *Parks and Landscapes and Equality Act and Impact Assessments*. The latter of these reports recommended an action plan be finalised and implemented to support the Council's Corporate Plan equalities goals, with progress reported to the Corporate Governance Group to allow updating of the risk register. These recommendations were subsequently resolved.

For 2021/22, a further two of seven internal audit reports concluded 'limited assurance' - *Facilities Management and Waste Contract Management*, the latter of which is referred to later in this report.

For 2022/23, none of the seven internal audit reports concluded findings below 'moderate/reasonable assurance'.

Internal Audit carried out an audit of Treasury Management in 2022/23, which provided 'reasonable assurance'. The audit found that the Treasury Management Strategy included all the specified elements as set out in the relevant Code of Practice.

Recommendations made by Internal Audit are regularly tracked, with progress updates being presented to the Audit and Standards Committee at most meetings.

As at the end of 2022/23 there were 12 overdue recommendations, two of which were deemed high priority.

These both related to Internal Audit's report on Waste Contract Management whereby Internal Audit found that a Council owned risk register should be developed and monitored for the waste and recycling contract, and that contract variations should be promptly authorised by the Authorisation Officer and Contract Manager.

These recommendations were resolved shortly afterwards, and as at preparation of this report the majority of outstanding recommendations from 2020/21 through to 2022/23 had been resolved, with just two medium priority recommendations relating to Facilities Management remaining to be cleared.

These two pending recommendations require the council to develop a Facilities Management Policy that includes procurement and value for money arrangements, as well as to ensure that the updated Non Housing Asset Strategy sets out clear and appropriate financial benchmark and targets for financial performance to be measured.

Management expects to resolve these outstanding recommendations between December 2024 and March 2025.

**From our work performed we have not identified any significant weaknesses in arrangements or recommendations to report.**





# Years prior to 2020/21

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- **Value for Money detail**
  - Financial Sustainability
  - Governance
  - **Years prior to 2020/21**
  - Appendix 1

For audits from 2015-16 to 2019-20, a commentary on arrangements is not required; auditors need only provide a conclusion that in all significant respects, the audited body had (or had not) put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Our work in respect of the year(s) ended 31 March 2019 and 31 March 2020 did not identify any significant issues and we provided an unqualified conclusion in respect of value for money arrangements.

# APPENDIX 1 - Additional Reporting Powers

Informed decisions and properly managing risks

- Table Of Contents
- Executive summary
- Purpose and responsibilities
- Financial statements
- Value for Money summary
- Value for Money detail

## Appendix 1

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice - 2024 (the 'Code').

Under the Code, we are required to review and report on the following:

- To be satisfied that the accounts comply with the requirements of the enactments that apply to them
- To be satisfied that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view
- To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- To express an opinion on the accounts
- To certify completion of the audit
- To consider whether to issue a report in the public interest
- To consider whether to make a written recommendation to the audited body, copied to the Secretary of State

The Code also defines a number of additional powers and duties

- To give electors the opportunity to inspect and raise questions about the accounts and consider and decide upon objections received in relation to the accounts
- To apply to the court for a declaration that an item of account is contrary to law
- To consider whether to issue an advisory notice or to make an application for judicial review
- To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament
- To have regard to any statutory guidance to auditors issued by the Comptroller and Auditor General





For more information:

Ciaran McLaughlin

e: [ciaran.mclaughlin@bdo.co.uk](mailto:ciaran.mclaughlin@bdo.co.uk)

t: +44(0)1473 944 736

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© 2024 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)

