

The Audit Findings for London Borough of Haringey

Year ended 31 March 2014

September 2014

Paul Dossett

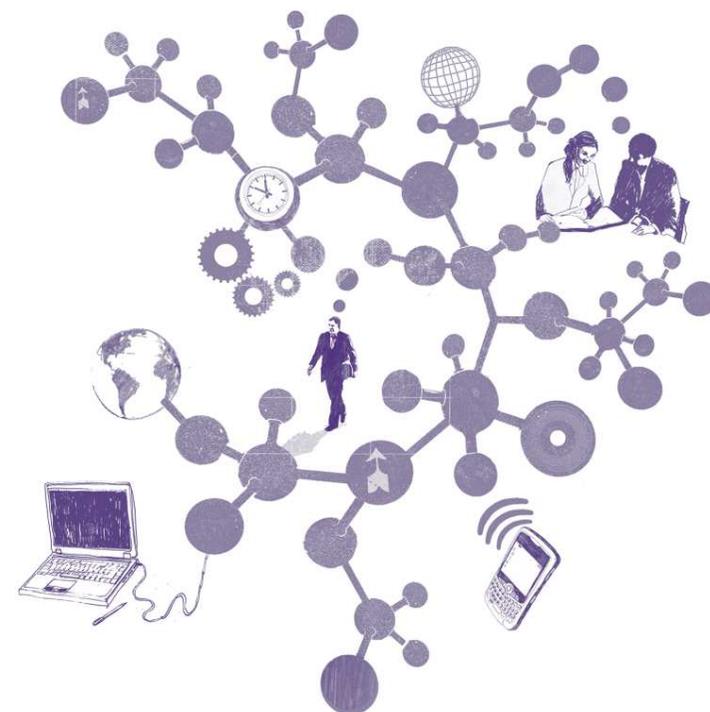
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	19
4. Fees, non audit services and independence	24
5. Communication of audit matters	26

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of London Borough of Haringey Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2014. Our audit is substantially complete although we are finalising our work in the following areas:

- receipt of direct confirmations on a sample of school bank account balances
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £196,568k; the audited financial statements show net expenditure of £196,568k. We have identified a small number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- The Council has continued to improve the quality of the financial statements. The quality of information supporting the transactions and balances within the financial statements has proven to be robust.
- We identified a notable improvement in both the quantity and quality of the working papers provided at the start of the audit which were appropriately referenced to the financial statements. We will continue to work with the Council to refine the working papers further for 2014/15.

- The Council did not provide detailed year end reports to support debtor balances for Council Tax, National Non Domestic Rates and Car Parking fees and charges. This is the third successive year in which we have not received detailed debtors listings supporting all balances. As we were unable to substantively test these balances, we tested the key controls on these systems which enabled us to place reliance on the summary reports provided by these systems.
- The Council revalued their Council dwellings and Other Land and Buildings as at 31 March 2014 based on an estimation derived from their valuers report. Our interpretation of the estimation technique resulted in a higher valuation of £4.3m which is not material. The Council has opted not to amend their financial statements for this difference.
- Officers responded to these queries positively and on a timely basis allowing the audit to be completed within the agreed timetable.
- Based on our work to date we have identified a small number of presentational issues that the Council has corrected for in the revised set of financial statements.
- We propose to give an unqualified opinion on the Council's financial statements following the Corporate Committee on 29 September 2014.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

As part of our substantive testing of employee remuneration the Council were unable to locate three member of staff employment contracts. Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Interim Chief Operating Officer and the Assistant Director of Finance.

We have made two recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Interim Chief Operating Officer and the Assistant Director of Finance.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Corporate Committee on 26 June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 20 March 2014.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our audit opinion is set out in Appendix B.

Status of the audit

Overall progress has been in line with the planned timetable and subject to completion of the outstanding matters highlighted on Page 5 we plan to give an unqualified opinion on the financial statements following the Corporate Committee on 29 September.

There has been an improvement in the quality of the financial statements and the supporting working papers provided to audit this year and we have not identified any material amendments to the financial statements.

Working papers supporting entries within the financial statements were provided on the first day of the audit. These were more comprehensive and of a better quality than previous years and were appropriately referenced to balances within the financial statements. We will continue to work with the finance team to refine the format of the working papers to increase efficiencies for 2014/15.

The working papers provided supporting Council Tax, National Non Domestic Rates and car parking debtors did not contain sufficient detail to enable us to test individual debtors. This resulted in us undertaking additional controls work in these areas which enabled us to place reliance on the summary reports provided by the respective systems.

Issues identified during the audit process

Our testing has not identified any material misstatements within the financial statements. We have identified the following issues that we are required to report to you under auditing standards as they are deemed "above trivial".

- The revaluation of Council Dwellings and Other Land and Buildings at 31 March 2014 was completed on the depreciated asset values rather than on the valuation as at 1 April 2013. The difference represents an immaterial £4.3m.
- The Council has provided for £1.7m (£519k for the Council with the remainder in relation to Central Government and the Greater London Authority) in respect of National Non Domestic Rate appeals based on the number of appeals received, successes and historic payments. The draft accounts did not disclose the treatment for appeals not yet received. The Council has since estimated that the potential provision for appeals not received is £427,000 (which is below our trivial threshold). The Council has added an appropriate note within the contingent liabilities section of the financial statements.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan presented to Corporate Committee on 20 March 2014	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • reviewed the reconciliation between the subsidiary system and the general ledger • undertaken cut-off testing to determine whether expenses are recorded in the correct period • sample tested in year payments and year end creditor balances 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • reviewed the reconciliation between the payroll system and the general ledger • completed a monthly trend analysis of payments and investigated variances • agreed year end payroll creditors to HMRC returns and subsequent payment • performed attribute testing on a sample of payroll payments made during the year gaining assurance that employees have been remunerated at the correct rates during 2013/14 	<p>We are satisfied that employee remuneration is fairly stated.</p> <p>The Council were unable to provide employment contracts for three employees (from a sample of 60). We were provided with sufficient details to prove that the members of staff were employed by the Council and were remunerated at the correct rates. However, we would recommend that all staff should have a signed employment contract that is accessible.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • we have reviewed the reconciliation between the subsidiary system and the general ledger • we have completed the initial DWP certification testing of Housing benefits, including analytical review and verification of benefits awarded on a sample basis • We have substantively tested the Council Tax Reduction scheme 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Housing Rent Revenue Account</p>	<p>Revenue transactions not recorded</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess whether those controls are designed effectively • performed detailed analytical review procedures in order to gain assurance over the completeness of rental income 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Alexandra Park and Palace Trust	Yes	Analytical	We have not identified any specific risk in relation to the transaction cycles. We have been liaising with the Council to ensure that the audit report of the Alexandra Park and Palace Trust is signed off in a timely manner to prevent any delay to the group audit.	We have obtained the audited financial statements of Alexandra Park and Palace Trust and the auditor's report. We have checked that transactions with the Council have been appropriately accounted for in the compilation of the group accounts.	Our audit work has not identified any issues in respect of the work performed.
Homes for Haringey	Yes	Targeted	We have not identified any specific risk in relation to the transaction cycles. We have been liaising with the Council to ensure that the audit report for Homes for Haringey is signed off in a timely manner to prevent any delay to the group audit.	We have obtained the audited financial statements of Homes for Haringey and the auditor's report. We have checked that transactions with the Council have been appropriately accounted for in the compilation of the group accounts.	Our audit work has not identified any issues in respect of the work performed.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> • Income is accounted for in the year the activity takes place, not simply when the cash is received. • Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. • Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and is probable that economic benefits or service potential associated with the transaction will flow to the Council. 	<p>We have reviewed the appropriateness and the disclosure of the accounting policy which agrees to the requirements of the Code of Practice on Local Authority Accounting 2013/14. We have undertaken substantive testing of grants and other revenues and we are satisfied that the Council has recognised income in the financial statements in accordance with the accounting policy.</p>	 green
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include : <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions – receivables and payables estimates (including provision for irrevocable debt) 	<ul style="list-style-type: none"> • We have obtained assurances from the external valuer, that asset valuations and impairments are based on reasonable assumptions and that the depreciation basis is reasonable. The Council undertook a full revaluation as at 1 April 2013 and updated this at the year end as required. • Pension fund valuations and settlements have been agreed to the actuary reports. We have undertaken sufficient work to be able to place reliance on the work of the actuary. We are satisfied that the Council has complied with the changes to the requirements of International Reporting Standard 19. • We have gained assurance that key estimates and judgements in regard to provisions meet the criteria of being more likely than not to arise, are quantifiable and arise from past obligations. The Council included a provision for known National Non Domestic Rate (NNDR) appeals in the financial statements and has included a contingent liability for appeals not yet received in the amended financial statements. • We have gained assurance that other key areas such as debt provisions and accruals are true and fair. 	 green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates - PPE	<ul style="list-style-type: none"> The Council has undertaken a full revaluation of all the required Property, Plant and Equipment assets in the year. The revaluation has been updated to ensure that asset values as at 31 March 2014 are materially stated. 	<ul style="list-style-type: none"> The full revaluation undertaken is compliant with the CIPFA Code and accounting standards. 	 green
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention. 	 green

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Nil	Property Plant and Equipment	All Council dwellings were revalued at the year end and therefore there should be a nil closing accumulated depreciation balance on these assets. The adjustment of £4,548k will be reflected within the revaluation lines in Note 11 and there is no impact on the Net Book Value of the assets.
2 Disclosure	Nil	Note 22 Pensions Reserve	The disclosures in the Pensions Reserve in note 22 need amending by £1,390k to be consistent with pensions note 43. Re-measurements recognised in Other Comprehensive Income and Expenditure needs to be adjusted to £31,706k and Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services should be adjusted to £20,315k. No impact on the bottom line position of the note.

Unadjusted items

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Corporate Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 The revaluation of Council dwellings and Other Land and Buildings at 31 March 2014 was completed on the depreciated asset values rather than on the valuation as at 1 April 2013. The difference represents an immaterial £4.2m</p>		<p>Dr Council dwellings £1,974 Dr Other Land and Buildings £2,308 Cr Revaluation Reserve £4,282</p>	<p>The difference in the valuation of Council Dwellings and Other Land and Buildings is caused by alternative interpretations of the valuers assumptions in establishing the relevant asset values. Both the interpretation adopted by the Council and the alternative preferred by the auditors are valid and the differences that arise from applying the alternative approaches are immaterial. In future the Council will work more closely with the external valuers and auditors to agree upon the methodology to be used.</p>
<p>Overall impact</p>		<p>£4,282</p>	

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 amber	As part of our substantive testing of employee remuneration the Council were not able to locate three member of staff employment contracts. We conducted additional tests to ensure employee remuneration was fairly stated. Without signed contracts in place there is a potential risk that the Council are not protected if any employment disputes arose.	All members of staff should have a signed contract of employment that is filed with their HR records.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Corporate Committee. We have not identified any fraud directly as a result of our audit procedures. We are not aware of any fraud that has a material impact on the accounts.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council. In particular, the reasons for not amending the financial statements for the item identified on page 16.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted no significant issues that impact on our proposed value for money conclusion. The Council continues to face significant financial challenges including bridging a funding gap of around £54m over the next two financial years and the scale of this challenge is not under-estimated. However, the Council has a good track record of delivering its annual budget and, as part of renewing its Corporate Plan, it is also reviewing its medium term financial plan and developing priority-based budgets which must include savings and investment plans. Whilst this is work in progress, the Council has adopted a methodical approach to this and clear tone and direction has been set by the Leadership team to ensure there is both proper focus and accountability for the development and delivery of the plans.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

The Transformation Programme that is taking place at the Council is focused around priority-based budgeting and challenging why and how services are delivered. The implementation of the Programme has been on-going through out 2013/14. Therefore, it is considered that the Council had adequate arrangements in place in respect of challenging economy, efficiency and effectiveness in prioritising resources and improving efficiency & productivity.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	<p>We assessed the Council against five key indicators of financial performance including liquidity, levels of reserves balances, borrowing and budget management. As well as considering the Council's own comparative performance year-on-year, we also consider it in comparison to that of its nearest statistical neighbours based on most recently published data.</p> <p>As in the previous years, there is evidence of improvement against these key indicators. The Council has again delivered its budget and has been able to add to its reserves which will help it should it face unexpected events and therefore, unplanned for, pressures in future reporting periods. During the year the Council was also able to add its school's reserves, although this was in part due to an underspend of £2.3m of centrally retained DSG which relates to the provision of schools places for two year olds.</p> <p>The Council continues to actively manage its loans and investments portfolio, reducing its borrowing costs through maximising the use of internal borrowing. The Council has reported that this along with other proactive treasury management activities resulted in savings of £1.8m being realised.</p> <p>The average number of days of sickness per FTE has increased year-on-year for 2013/14 from 7.14 days to 9.08 days, this reverses the direction of travel for this indicator in recent years. The Council has recognised this issue and is taking steps to manage absence levels.</p>	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Strategic financial planning	<p>In terms of strategic financial planning, our review focuses on the arrangements the Council has in place to support it to deliver its financial plan over the short to medium term and how it is managing risks to its delivery in these processes. We have also taken into account the Council's past performance in delivering its budget and agreeing a Medium Term Financial Plan (MTFP) which is based on reasonable planning assumptions. It is noted that the need to deliver c£54m of savings over the next two years remains a significant challenge and the Council will need to continue to ensure that the arrangements it has in place to support financial planning remain comprehensive and robust</p> <p>The Council has focused throughout the year on its Transformation Programme and is currently in the process of producing a three year Corporate Plan. Draft priorities have been agreed and a revised Medium Term Financial Plan (MTFP) is being shaped around this. The Council considers that the alignment of the Corporate Plan with the MTFP will be an important step forward in its strategic financial planning process. It will allow stakeholders to have a better strategic view of the Council's priorities properly aligned to its financial plans. There are transformation programmes in place for key service areas.</p> <p>There is no short-term focus by the Council in identifying, addressing and managing the financial challenges it is facing. It recognises the scale of the issue and as part of the priority-based budgeting it has introduced it is challenging service managers and budget holders to identify savings and investment plans over the life-time of the medium term plan.</p> <p>The current MTFP takes into account assumptions around inflation and demographics, for instance, and these assumptions are subject to regular review.</p> <p>The need to deliver c£54m of savings over the next two years remains a significant challenge. The Council will need to continue to ensure that their plans are robust and deliverable.</p>	Green	Green
Financial governance	<p>The Council's senior leadership team has set a clear direction in terms addressing the financial pressures and challenges faced by the Council over the coming years which include the need to deliver c£54m of savings over the next two financial years to 2016/17. The Transformation Programme is focused around meeting this challenge and delivering savings through doing things differently.</p> <p>Following the election in May 2014, the Council has a significant number of new Councillors. The Council has provided training and support, for instance, training sessions delivered at the June 2014 Corporate Committee meeting. This will help to ensure that members are equipped with the necessary skills to focus on the key issues and areas for discussion and challenge. It is important that Members receive this support to allow them to properly fulfil their functions.</p> <p>There was regular reporting of the Council's financial position against its revenue and capital budget through the year. This provided detail of departmental performance and also performance against the capital plan.</p>	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Financial control	<p>Through the year the Council has worked on enhancing its budget management processes and has introduced new risk-based processes for monitoring for 2014/15. Although virements were required to manage the 2013/14 budget these were approved via the proper processes.</p> <p>The Council continues to demonstrate that it has an adequate financial control environment. This is reflected in the work completed by internal audit on the Council's twelve key financial systems; all were assessed as having 'substantial' assurance ratings.</p> <p>The Council has further strengthened its financial reporting team to support the production of its annual accounts.</p>	Green:Amber	Green
Prioritising resources	<p>The review of the MTFP that is currently underway is being driven by the development of the new Corporate Plan and delivery of the proposed Council priorities, As part of this, budgets are being shaped around these delivery and it is currently in the process of mapping its expenditure and planned budgets to its priorities.</p> <p>The Council undertakes regular consultations with stakeholders on a variety of issues including consulting on the 2014/15 budget requesting feedback on spending plans for 2014/15. This helps to ensure there is a focus on the areas that residents of the borough consider are of highest priority to them.</p>	Not rated	Not rated
Improving efficiency & productivity	<p>The need to find the significant level of savings required to balance the budget over the life-time of the Corporate Plan has driven the need for the Council to be more efficient in its activities.</p> <p>The Transformation Programme is about challenging the way that activities are being delivered with a view to making efficiencies and providing a better service overall. There is no evidence of a lack of challenge in what the Council is doing, how it is doing it and why it is doing it.</p> <p>There is no evidence that the Council's costs compare unfavourably to other local authorities. The Council has been making efficiency savings for several years and whilst the latest Audit Commission VfM profile tool shows that the Council is in the highest or middle percentile for some key areas of spend, the direction of travel is downwards indicating that improvements are being made.</p>	Not rated	Not rated

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	272,700	275,300
Grant certification	37,731	37,731
Total audit fees	310,071	312,671

The Audit Commission have advised that they are increasing the Council's audit fee by £2,600 to reflect the additional work required on material business rates balances and disclosures as part of our audit. This is as a result of the removal of the National Non Domestic Rates certification requirements for which the Council was previously charged separately.

2012/13 Comparator Fees

	Per Audit plan £	Actual fees £
Council audit	272,700	272,700
Grant certification	52,950	64,560
Total audit fees	325,650	337,260

Fees for other services

Service	Fees £
Whistleblowing investigation	5,000

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High– risk of significant misstatement

Medium- risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	All members of staff should have a signed contract of employment that is filed with their HR records.	High	<p>HR is undertaking a review of the recruitment process including our contracts and team roles. We are in the process of making a number of changes to the way we manage on-boarding of new employees; as part of our recruitment changes due in September, which will enhance compliance with processes as follows:</p> <p>All recruitment activity will be handled by one team with no hand-off of processes to another team. This will put accountability and responsibility for obtaining all appropriate documentation with a single team, therefore, improving compliance with process and procedures.</p> <p>We have been working with legal to streamline the number of documents we send to new employees and be much clearer with employees what documents we require signing and returning to us to further improve employee compliance with our processes and procedures going forward.</p>	October 2014 Jacquie McGeachie
2	The Council should ensure that relevant listings of debtors are run at the year end and saved as evidence to support balances within the financial statements.	Medium	For the two areas where the debtor reports were not produced this year, the Council has already scheduled dry runs to ensure that the reports can now be produced. The Council will also be arranging for back-up tapes to be stored at year end as part of its contingency plan.	March 2015 Lubna Nasir

Appendix B: Audit opinion

We anticipate we will provide the Council with an unqualified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HARINGEY

Opinion on the financial statements

We have audited the financial statements of London Borough of Haringey for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the [Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of London Borough of Haringey in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director of Finance and auditor

As explained more fully in the Statement of the Assistant Director of Finance's Responsibilities, the Assistant Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
 give a true and fair view of the financial position of London Borough of Haringey as at 31 March 2014 and of its expenditure and income for the year then ended;
 give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
 have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:
 in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
 we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
 we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
 we exercise any other special powers of the auditor under the Audit Commission Act 1998.
 We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, London Borough of Haringey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul Dossett
Partner for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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29 September 2014



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