



# The Annual Audit Letter for London Borough of Haringey

---

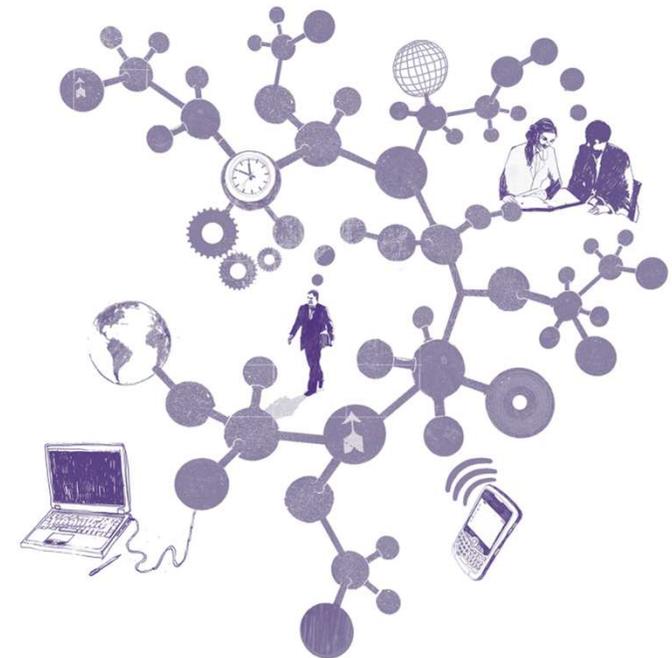
**Year ended 31 March 2013**

October 2013

**Paul Dossett**  
Partner  
T 0207 728 3395  
E [paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com)

**Liz Sanford**  
Senior Manager  
T 01223 225 506  
E [liz,sanford@uk.gt.com](mailto:liz,sanford@uk.gt.com)

**Paul Jacklin**  
Manager  
T 0207 728 3263  
E [paul.j.jacklin@uk.gt.com](mailto:paul.j.jacklin@uk.gt.com)



---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	3
2. Audit of the accounts	6
3. Value for Money	8
4. Certification of grant claims and returns	10

## **Appendices**

A Reports issued and fees

---

## Section 1: Executive summary

**01. Executive summary**

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

---

# Executive summary

## Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at London Borough of Haringey ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 19 September 2013.

## Responsibilities of the external auditors and the Council

This Letter 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](http://www.audit-commission.gov.uk)).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 14 March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified 2 grant claims and returns, both of which were certified without amendment. We are continuing to review 2 further claims that have November 2013 deadlines.

The audit has not yet been certified as closed as a local authority elector is still pursuing questions in relation to the accounting of parking income in the 2012/13 accounts.

---

## Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The Council has made a considerable effort to improve the processes for preparing its financial statements and increased the level of commitment to supporting the audit process. This resulted in a notable improvement in the quality of the financial statements provided for audit and us providing the Council with an earlier opinion than previous years. The Council recognises that it can further build on these improvements ahead of the 2013/14 financial closure process and we recognise the investment in a new chief accountant post for 2013/14 to lead the Council's financial reporting arrangements.

The Council has a good track record of effective revenue budget management, and no significant adverse budget variances were reported across the services in 2012/13. In 2012-13 the General Fund net revenue budget underspent by £6.1 million (2% of budget) following a £4.7 million underspend in 2011/12. This has enabled the Council to marginally improve its levels of reserves in 2012/13, although the Council continues to hold a relatively low level of reserves (as a proportion of gross expenditure) in comparison to other similar councils.

Achieving a balanced financial position will be even more challenging in future years. The Council has closed the projected savings shortfall at the start of the 2013/14 period of £6.1 million during the 2013/14 planning cycle enabling a balanced budget to be set for 2013/14 that included £7.1 million additional savings. The shortfall for 2014/15 is £30 million. Closing this gap is the central objective of the revised Medium Term Financial Plan.

As part of meeting the significant future financial challenges the Council are proposing a new officer structure that will be matched by significant system changes and a programme of cultural change aimed at enhancing cross-Council and partner working and embedding robust corporate performance management arrangements. These processes will take time to implement and embed. During this transformation period, it will be important to ensure that the robust monitoring of systems and the financial position continues to ensure the proposed savings are delivered.

## Acknowledgements

This Letter has been agreed with the Chief Executive and Director of Corporate Resources and will be presented to Corporate Committee on 26 November 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2013**

---

## Section 2: Audit of the accounts

01. Executive summary

**02. Audit of the accounts**

03. Value for Money

04. Certification of grant claims and returns

---

# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

The Council presented us with draft accounts on 28 June 2013, in accordance with the national deadline. Working papers were made available from the start of the audit fieldwork, which commenced on 1 July 2013. The Council made a considerable effort to improve the processes for preparing their financial statements and increased the level of commitment to supporting the audit process. This resulted in a notable improvement in the quality of the financial statements provided for audit. The underlying data supporting the transactions and balances within the financial statements also proved to be more robust. As a result, we did not identify any material misstatements in the financial statements.

The overall quality of the working papers provided for audit is improving, but the quality remains variable. We will continue to work with the Council to support further improvements in this area which should, in turn, reduce requests for additional information and allow work to be completed more efficiently. The investment in a new Chief Accountant post should help to embed improvement and demonstrates the Council's commitment to improving its financial reporting.

### **Issues arising from the audit of the accounts**

Our substantive testing of the balances within the financial statements did not identify any material errors or misstatements.

We identified misstatements within the Property Plant and Equipment, Debtors and schools cash balances on the balance sheet which are not material. The Council opted not to amend their financial statements for these misstatements as the amounts concerned were not material and did not impact on General Fund balances.

### **Annual Governance Statement**

We concluded that the Annual Governance Statement and Explanatory Foreword were consistent with our knowledge of the Council, subject to a couple of minor proposed adjustments, which management incorporated into the final versions of the documents.

### **Whole of Government Accounts (WGA)**

The Council submitted its draft WGA Consolidation Pack for audit on 2 September 2013 in line with our agreement. We were able to complete our work by the certification deadline of 4 October 2013.

### **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Corporate Committee at the Council). We presented our report to the Corporate Committee on 19 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 19 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

---

## Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

**03. Value for Money**

04. Certification of grant claims and returns

---

# Value for Money

## Scope of work

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
- review regularly the adequacy and effectiveness of these arrangements.

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

**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 undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control

Our work highlighted that the Council faces particularly significant challenges in regard to the reducing amount of central government funding it will receive in future years and in managing the social and financial implications of new government policies on welfare and local taxation. However, we concluded that the Council's current arrangements for achieving financial resilience are adequate and good progress has been made in implementing previous year findings from the financial resilience report.

Further details are provided in our Financial Resilience report issued in September 2013.

### Challenging economy, efficiency and effectiveness

We reviewed whether the Council had prioritised its resources to take account of the tighter constraints it is required to operate within and whether it had achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that the Council has a good track record of effective revenue budget management. In 2012-13 the General Fund net revenue budget underspent by £6.1 million (2% of budget). The Council has analysed the implications of the government settlement on areas such as grant funding in the Medium Term Financial Plan.

No significant issues were identified as a result of our work in this area.

### 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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

---

## Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

# Certification of grant claims and returns

## Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

To date we have certified 2 claims and returns for the financial year 2012/13 relating to expenditure of £68.0 million. We are still working on the Teachers' Pension and Housing and Council tax benefit claims that have end of November 2013 deadlines.

## Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

## Key messages

The key messages from our certification work to date are summarised in the table below. Further details will be provided in our certification report to be issued in December 2013.

## Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
<b>Submission &amp; certification</b>	We have received the claims in accordance with specified deadlines.	●
<b>Accuracy of claim forms submitted to the auditor (including amendments &amp; qualifications)</b>	The National Non Domestic Rates and Pooling of Capital Receipts returns were submitted without amendment and qualification. We have agreed a minor amendment to the Teachers' Pension claim with officers. Our initial testing of 80 cases within the Housing and Council tax benefit claim has identified more errors leading to overpayment in benefit than prior years. The Council are currently undertaking additional 40+ testing that will enable extrapolations of the errors to be calculated. The claim will be qualified and amended.	●
<b>Supporting working papers</b>	Working papers provided have supported the balances within the claim	●

# Appendices

# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit

## 2012-13 fees

	Per Audit plan £	Actual fees £
Audit Fee	272,700	272,700
Grant certification fee	52,950	tbc
<b>Total fees</b>		

tbc – the final fee for our certification work will be confirmed in our certification work report to be issued in December 2013.

## 2011/12 Comparator Fees

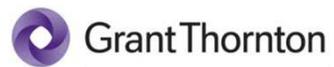
	Per Audit plan £	Actual fees £
Council audit	454,500	486,500
Grant certification	90,500	86,896
<b>Total audit fees</b>	<b>545,000</b>	<b>573,396</b>

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013
Certification report	Proposed December 2013



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**