



The Audit Plan for London Borough of Haringey

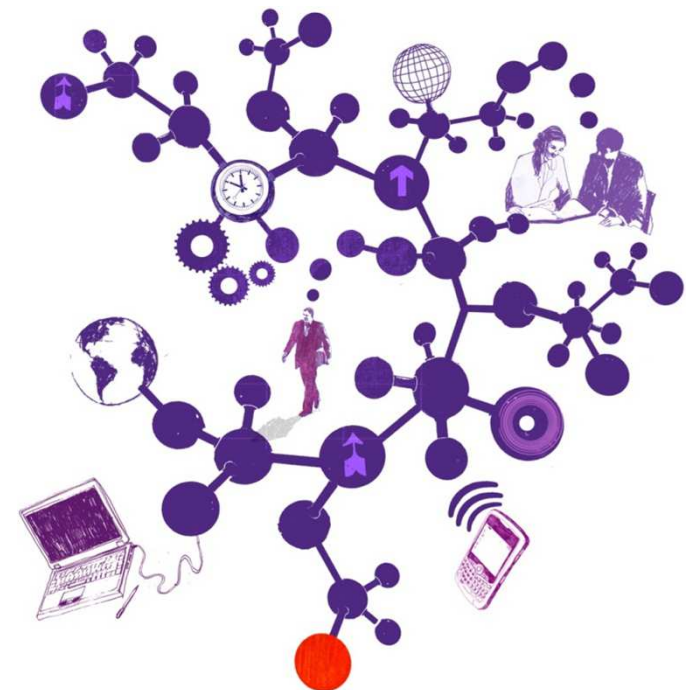
Year ended 31 March 2013

March 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Regeneration of Tottenham

- A Plan for Tottenham sets out the Council's vision until 2025. This sets out the Council's plan to build 'back better through economic growth, investment, improved neighbourhoods and regeneration of key sites'.
- Regeneration is important to the future prosperity of the borough and key to this is effective partnership arrangements and leverage of funding from appropriate bodies.
- A project like this requires specialist input and project management skills.
- The Council will need to continue to manage the risks around delivering this Plan and its overall Regeneration Strategy.

2. School improvement scheme

- The Council has pledged to ensure that all schools in the Borough are rated Good or Outstanding by 2016.
- This means that the Council will robustly exercise its challenge role and use of statutory powers to intervene promptly where schools are failing. This has to be completed, whilst where possible maintaining the autonomy of schools and within the budget limitations of Council services.
- The Council has a small number of primary schools converting to sponsored academy status.

3. Public Health Transition

- The transfer of Public Health responsibilities will place additional pressures on the Council in relation to the management and funding of contracts for the service.

4. Financial Performance pressures

- The Council continues to face financial pressures, including the requirement to deliver substantial savings in 2012/13 with c £20m in 2013/14 and c £40m from 2014-16.
- The Council is an early implementer of changes required from the Welfare Reform Act 2012. The financial implications of these changes are likely to be significant for the Council.
- The Director of Corporate Resources will be focussing on the financial planning as the Council recognises the challenges ahead in setting a balanced budget and maintaining the quality of services provided in future years.

Our response

- As the scheme progresses we will provide views on proposed accounting treatment that impact on the Council's financial statements e.g. accounting for grants, accounting for capital expenditure.
- We will review the Council's financial plans as part of our work to inform our Value for Money opinion. This will include consideration of the management of financial risks within the Council's Medium Term Financial Plan (MTFP).
- We will draw on specialist support from within Grant Thornton to support our work if required.

- We will review accounting treatment of expenditure in relation to the investment made to schools to ensure this is in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and appropriate accounting standards.
- We will continue to discuss with the Council academy school planning and the potential accounting and financial impact of this.

- The transfer of Public Health is due to take place on 1 April 2013. There is therefore no impact on the 2012/13 financial statements.
- We will maintain discussions with Council officers to assess its ability to provide mandatory services within the budgeted allocation and the impact that this may have on future financial planning.

- We have kept financial performance under continuous review throughout the year through discussions with key officers of the Council and consideration of the Council's financial monitoring reports.
- We will review progress made on achieving saving plans as part of our work to inform our VFM conclusion.
- We will review how the Council has managed the changes arising from localisation of Council tax, business rates and welfare reforms, in its short and medium-term financial planning.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements				
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) • Recognition of grant conditions and income • Self financing Housing Revenue Account (HRA) 	<p>2. Accounting for Property, plant & equipment</p> <ul style="list-style-type: none"> • Transfer of school assets to Academies • Revaluation of assets 	<p>3. Council dwelling depreciation</p> <ul style="list-style-type: none"> • In 2011/12, the Council reviewed the basis of calculating depreciation on Council dwellings and used the estimated spend per the HRA self-financing business plan. 	<p>4. Finance team</p> <ul style="list-style-type: none"> • Significant delays were experienced in completing the 2011/12 audit. A new Head of Finance has been appointed to oversee the closedown of the 2012/13 accounts. 	<p>5. Potential liability in respect of Municipal Mutual Insurance Ltd (MMI)</p> <ul style="list-style-type: none"> • A court case in March 2012 ruled MMI has a liability for additional claims for infections by asbestosis based on the date of exposure rather than the date of onset of illness. The Scheme of Arrangement has been triggered and the Council could have a potential liability under this.

Our response				
<p>We will ensure that</p> <ul style="list-style-type: none"> • The Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • Grant income is recognised in line with the correct accounting standard. 	<p>We will ensure that</p> <ul style="list-style-type: none"> • Schools are accounted for correctly and in line with the latest guidance • Valuations have been completed in accordance with relevant International Financial Reporting Standard (IFRSs) • The data and instructions provided to the valuer and the methods and assumptions applied by the are appropriate. 	<ul style="list-style-type: none"> • The spend will be used as a basis for calculating depreciation on Council dwellings in 2012/13. • We will review the accounting policy including disclosure of estimates and judgements and calculation of depreciation charge included in the accounts. 	<ul style="list-style-type: none"> • We have agreed a timetable with management for delivery of the audit. • We presented at a closedown training session and set out what we require from the Council to support the audit. • We have agreed with the Council our working paper requirements in respect of debtors and creditors. • We have reviewed management's progress against the action plan agreed in September 2012. Progress to date against the Plan is set out on page 15. 	<ul style="list-style-type: none"> • The Council has an Insurance MMI Reserve from which a sum has been set aside to cover the costs of any payments that may become due to MMI. • We will review estimate and judgements made by management and the adequacy of the reserve/provision in light of most recent information available at the time of the accounts audit.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

6. Legislation

- Local Government Finance settlement 2012/13
- Welfare reform Act 2012

7. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

8. Pensions

- Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS).

9. Other requirements

- The Council is required to submit a Whole of Government Accounts (WGA) pack on which we provide an audit opinion.
- The Council completes grant claims and returns on which audit certification is required.

Our response

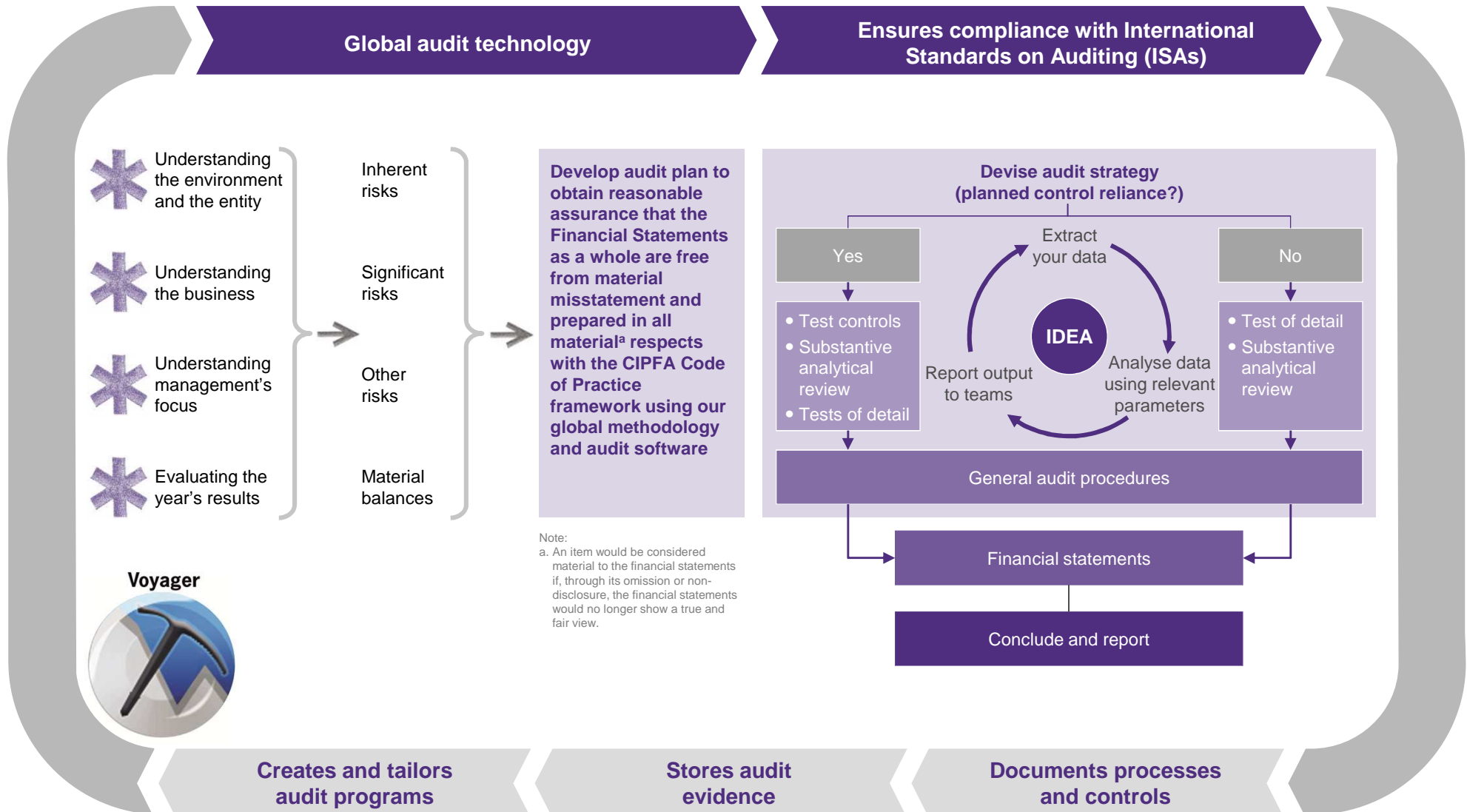
- We have discussed the impact of the legislative changes on future finances with the Council.
- We will review the impact of the welfare reforms as part of our work on financial resilience in particular, financial planning.

- We will review the arrangements the Council has in place for the production of the AGS.
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge.

- We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management.

- We will carry out work on the WGA pack in accordance with requirements.
- We will certify grant claims and returns in accordance with Audit Commission requirements.

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Controls Testing?	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Low	None		✓	✓
Cost of services - operating expenses	Yes	Property, Plant and Equipment	Medium	Other	Allowance for depreciation not adequate	×	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Employee remuneration accruals understated	×	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	×	✓
Cost of services – Housing revenue	Yes	HRA	Medium	Other	Housing revenue transactions not recorded	×	✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		×	✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Controls testing?	Substantive testing?
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×	×
Precepts and Levies	No	Council Tax	Low	None		×	×
Interest payable and similar charges	Yes	Borrowings	Low	None		×	✓
Pension Interest cost	Yes	Employee remuneration	Low	None		×	✓
Interest & investment income	No	Investments	Low	None		×	×
Return on Pension assets	Yes	Employee remuneration	Low	None		×	✓
Impairment of investments	No	Investments	Low	None		×	×
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×	×
Income from council tax	Yes	Council Tax	Low	None		×	✓
NNDR Distribution	Yes	NNDR	Low	None		×	✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Controls testing?	Substantive testing?
PFI revenue support grant & other Government grants	Yes	Grant Income	Low	None		×	✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		×	✓
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		×	✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		×	✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×	×
Property, Plant & Equipment	Yes	Property, Plant & Equipment	High	Significant	PPE activity not valid	✓	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	High	Significant	Revaluation measurements not correct	×	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	High	Significant	PPE improperly expensed	×	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE are impaired	×	✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Controls testing?	Substantive testing?
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		×	✓
Intangible assets	No	Intangible assets	Low	None		×	×
Investments (long & short term)	Yes	Investments	Low	None		×	✓
Debtors (long & short term)	Yes	Revenue	Low	None		×	✓
Debtors (long & short term)	Yes	HRA	Low	None		×	✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×	×
Inventories	No	Inventories	Low	None		×	×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		×	✓
Borrowing (long & short term)	Yes	Debt	Low	None		×	✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓	✓
Provisions (long & short term)	Yes	Provision	Low	None		×	✓
Pension liability	Yes	Employee remuneration	Low	None		×	✓
Reserves	Yes	Equity	Low	None		×	✓

Significant risks identified

'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 outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below. We have also identified three significant risks in relation to PPE.

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies <p>Further work planned:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies Performance of attribute testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management <p>Further work planned:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management Testing of journal entries Review of unusual significant transactions
Property, Plant & Equipment is not complete	There is a risk that Property, Plant & Equipment activity is not valid.	<p>Work completed to date:</p> <ul style="list-style-type: none"> System walkthrough of PPE cycle to test controls <p>Further work planned:</p> <ul style="list-style-type: none"> Review of compliance with procedures to closedown and update the fixed asset register Substantive testing of in-year additions and disposals Performance of existence testing on a sample of assets

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Property, Plant & Equipment gross valuation is incorrect	There is a risk that the Revaluation measurement of Property, Plant & Equipment is not correct.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have discussed with the Council the arrangements in place to value PPE for 2012/13 • System walkthrough of PPE cycle to test controls <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of the work performed by the valuer including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards • Review of the Council's fixed asset register to ensure that revised valuations have been correctly accounted for in the financial statements
Property, Plant & Equipment gross valuation is incorrect	There is a risk that expenditure on Property, Plant & Equipment has been improperly expensed.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • System walkthrough of PPE cycle to test controls <p>Further work planned:</p> <ul style="list-style-type: none"> • We will identify large or unusual additions and disposals and test a sample of these. • Performance of attribute testing on a sample of additions and disposals to gain assurance that they have been properly accounted for, correctly analysed and are in line with capitalisation policies • Review of capital expenditure budgets and compare these to spend • Review of new lease agreements or contracts signed in the year to gain assurance that these have been correctly accounted for

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work. 	<ul style="list-style-type: none"> We will perform controls testing on key controls within the operating expenses cycle to gain assurance over the completeness of the creditors balance We will review large and unusual items and test a sample of these We will perform testing of journals on a sample basis to gain assurance that there are adequate controls in place over inputting and processing and that these have operated effectively through the financial year
Employee remuneration	Employee remuneration accruals understated	<ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work. 	<ul style="list-style-type: none"> We will perform attribute testing on a sample of payroll payments made during the year to gain assurance that employees have been remunerated at the correct rates during 2012/13. Testing will include agreement of HMRC returns to staff records
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work. 	<ul style="list-style-type: none"> We will complete initial DWP certification testing of Housing and Council Tax benefits, including analytical review and verification of benefits awarded on a sample basis.
Housing Rent Revenue Account	Revenue transactions not recorded.	<ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work. 	<ul style="list-style-type: none"> We will perform detailed analytical review procedures in order to gain assurance over the completeness of rental income We will perform attribute testing, selecting a sample from the properties listing to verify the completeness of rental income

Other risks (continued)

Other reasonably possible risks	Description	Work completed to date	Further work planned
Property, Plant & Equipment	Allowance for depreciation not adequate	<ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work. 	<ul style="list-style-type: none"> We will perform attribute testing, selecting a sample from the fixed asset register to ensure that the depreciation rate is appropriate and properly applied We will review the fixed asset for depreciation rates outside those set out in the policy
Property, Plant & Equipment	PPE are impaired	<ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work. 	<ul style="list-style-type: none"> Review of the work performed by the valuer including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards Review of the Council's fixed asset register to ensure that revised valuations have been correctly accounted for in the financial statements

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	Planned audit approach
Alexandra Park and Palace Trust	Yes	Analytical	We have not identified any specific risk in relation to the transaction cycles, however 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.	<p>We have contacted the auditors of the Alexandra Park and Palace Trust to identify their view on current risks. We will consider these as part of our audit planning.</p> <p>We will carry out a desktop review of the financial statements and review findings from the audit of the Alexandra Park and Palace Trust.</p>
Homes for Haringey	Yes	Analytical	We have not identified any specific risk in relation to the transaction cycles, however we have been liaising with the Council to ensure that the audit report of the Homes for Haringey is signed off in a timely manner to prevent any delay to the group audit.	<p>We have contacted the auditors of the Homes for Haringey to identify their view on current risks. We will consider these as part of our audit planning.</p> <p>We will carry out a desktop review of the financial statements and review findings from the audit of the Homes for Haringey.</p>

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- the operation and effectiveness of the controls in place over the processing and authorisation of journals

Our IT specialists will be visiting the Council in May. This work will inform our assessment of the Council's IT control environment. We will report on the outcome of this work as part of our Audit Findings in September 2013.

	Work performed	Conclusion/ Summary
Internal audit	We have reviewed internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These areas are: <ul style="list-style-type: none"> • HRA Rental Revenue • Property, Plant & Equipment • Employee Remuneration • Operating Expenses • Housing Benefits & Council Tax Expenditure 	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding. We will gain further assurance in this area through substantive audit testing of year end balances.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We are in the process of confirming our understanding of the Council's journal entry policies and procedures, by inspecting journals processed up to of month 9.	To date, we have identified one weakness which is likely to adversely impact on the Council's control environment or financial statements. We will report on the conclusion of our work as part of Audit Findings report to the September Corporate Governance Committee.

Results of interim audit work (cont.)

	Work performed	Conclusion/ Summary
Progress against 2011/12 recommendations	We have reviewed progress made by management against the action plan agreed in the 2011/12 Annual report to those Charged with Governance.	<p>Management have prepared detailed responses to highlight progress on implementing the action plan. The Independent report on closure of 2011/12 accounts also makes a recommendation to implement the action plan and to prepare a monitoring report to provide assurance to the Director of Corporate Resources that timely progress is being made on implementing the recommendations.</p> <p>We will review the monitoring report on progress of implementation of the action plan and provide feedback based on our knowledge or relevant work carried out at the time. We will highlight lack of progress to the Director of Corporate Resources as required.</p> <p>We will report progress to the Corporate Committee at the next meeting.</p>

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Corporate Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- consider the impact the significant legislative changes including the reduction in central government funding, the localisation of council tax and business rates and changes to the welfare system have had on the Council's strategic financial planning and the Council's response to this.
- review arrangements in place to support sound financial governance and control at the Council, specifically to address the issues identified during the 2011/12 audit. Our work will include monitoring the implementation of the 2011/12 action plan.

Logistics and our team

The audit cycle



Date	Activity
Jan 2013	Planning meeting
Feb 2013	Interim site work
Mar 2013	The audit plan presented to Corporate Committee
July 2013	Year end fieldwork commences
Aug 2013	Audit findings clearance meeting
Sep 2013	Corporate Committee meeting to report our findings
Sep 2013	Sign financial statements and VfM conclusion
Nov 2013	Issue Annual Audit Letter

Our team

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Fees and independence

Fees

	£
Council audit	272,700
Grant certification	52,950
Total	325,650

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

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.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

International Standards 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.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan 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.

Our communication plan	Audit plan	Audit findings
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 issue 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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan – 2012/13 Audit

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Journals Risk - The processes followed for the authorisation of journals are inconsistently applied. Journals are being processed without any evidence on the ledger system of separate a authorisation of the journal. This weakness raises the risk that ledger codes can be adjusted inappropriately.</p> <p>Recommendation – The Council should ensure that for all journals raised there is a separation of duty between processing and authorising. A record of the processing and authorising officer should be maintained on the system.</p>	Medium	<p>The system currently in operation at the Council has been followed since the implementation of SAP in 2002. Furthermore, Internal Audit have reviewed key systems annually since then (most recently in May 2012) and have not raised concerns.</p> <p>There are compensatory controls that mitigate the lack of a systems supported enforcement of controls; namely that both the revenue budget monitoring processes and the control day reviews of balance sheet codes are designed to identify and correct any unexpected or erroneous movements in ledger codes.</p> <p>Nevertheless, the Council will instigate a review of the process and consider the implementation of revisions; the review will consider the level of risk compared to the cost and effort involved in enhancing controls. Our initial investigations suggest that to achieve this fully within SAP will require the design and implementation of bespoke workflow processes with associated authorisation controls embedded.</p>	Head of Finance BAS June 2013



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