

Helen Chapman

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19 November 2015

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Thursday, 26th November, 2015

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

11. ANY OTHER BUSINESS OF AN URGENT NATURE (PAGES 1 - 20)

- i) External Audit – progress update (Report of Grant Thornton)
- ii) Annual Audit Letter (Report of Grant Thornton)

Yours sincerely

Helen Chapman
Principal Committee Co-Ordinator

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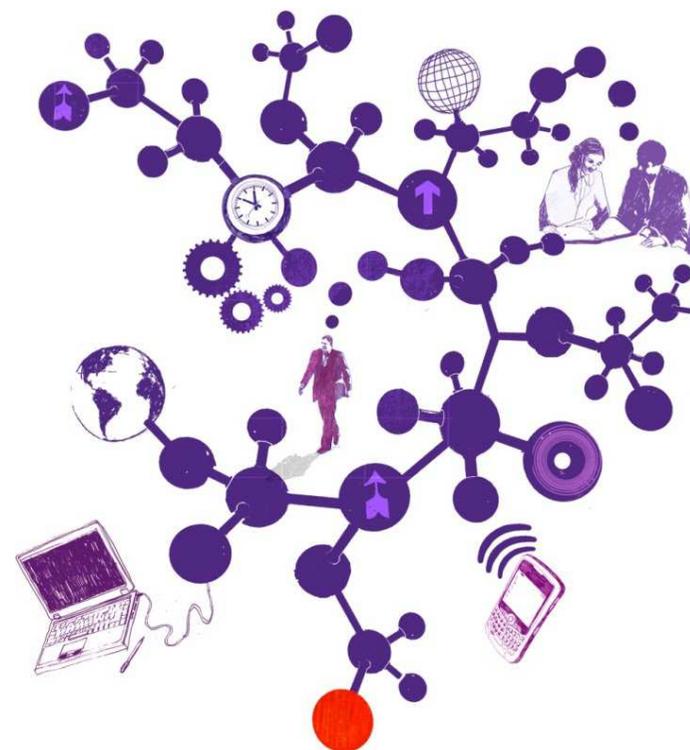
Corporate Committee Update

Year ended 31 March 2016

November 2015

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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 your business 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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Introduction

This paper provides the Corporate Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Corporate Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 10 September 2015

Work	Comments
Audit Certificates	<p>We gave an unqualified opinion on the Council's financial Statements on 29 September 2014 in advance of the 30 September deadline. We were not able to certify the 2013/14 audit as complete due to two objections raised on the accounts by local authority electors.</p> <p>We have issued our report with recommendations to the Council and to the local objector in relation to court costs charged by the Council at the point of issuing a summons for non-payment of council tax.</p> <p>We are currently completing work of the on bailiff enforcement of parking/traffic debts and other parking matters and expect to be able to conclude on this by the end of the year. Once this objection is resolved we will be able to issue the audit certificate and close the 2013/14 and 2014/15 audits.</p>
2014-15 Grant Claim certification	<p>We have completed the certification work for the Pooling of Capital Receipts return and the Decent Homes Backfunding claim. Both claims were certified without amendments.</p> <p>We are currently in the process of completing the certification of the Teacher's Pensions claim.</p> <p>We are also completing work on the Council's Housing Benefit and Council Tax Benefit claim and are on schedule to complete our testing by the 30 November 2015 statutory deadline. The Council continue to process a large number of benefit claims incorrectly and there were a high number of errors identified which has led to 19 sets of 40+ being completed.</p>

Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

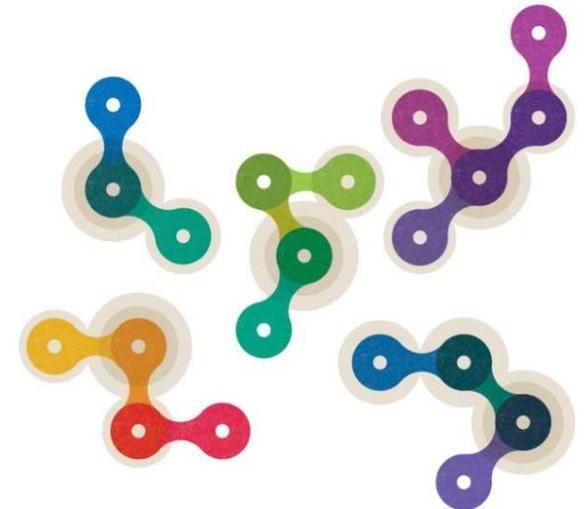
In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>

Hard copies of our report are available from your Engagement Lead and Audit Manager



Turning up the volume: The Business Location Index

Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

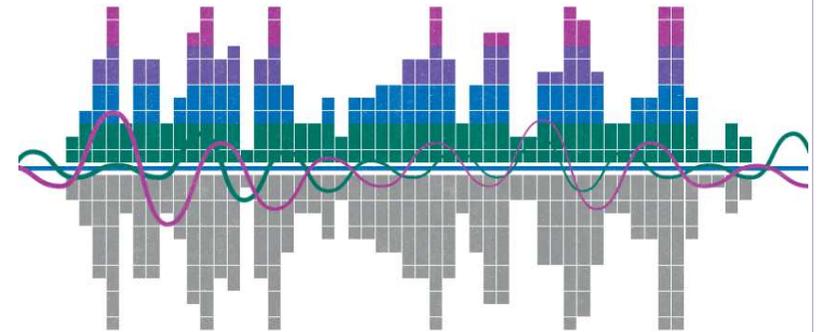
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

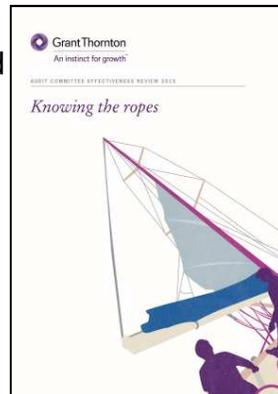
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



Size: 3-5 members is an ideal size for an audit committee

Frequency: meetings should be regular and the length should adapt to content

Relevance: audit committee members should be selected based on the skills and experience they bring

Communication: papers should strike the balance between detail and length

Ability: training should be provided for audit committee members

Clarity: the role of the audit committee and its relationship with other committees, should be clearly defined

The two key things that audit committee members should be asking are:

- 1 What is expected of the audit committee and does it reflect the specific nature of the industry in which the organisation sits?
- 2 Does the audit committee have clear terms of reference in place? Audit committees should set themselves targets for what they want to achieve and define how these will be measured to ensure they are operating effectively.

Evolution: audit committees should continually develop

Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

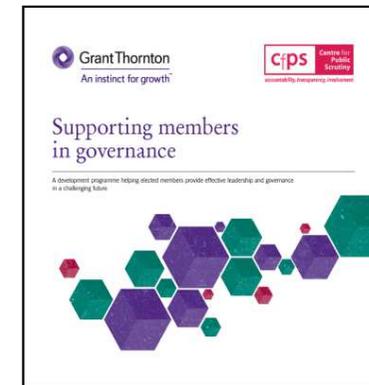
Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager



George Osborne sets out plans for local government to gain new powers and retain local taxes

Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.

Councils must deliver local plans for new homes by 2017

Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.



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The Annual Audit Letter for the London Borough of Haringey

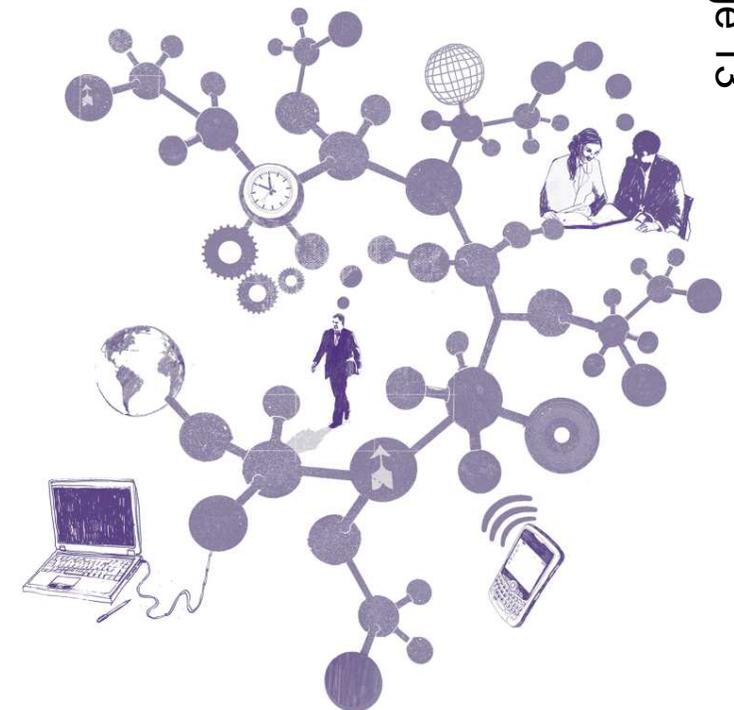
Year ended 31 March 2015

October 2015

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A Key issues and recommendations

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at London Borough of Haringey ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. 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 22 June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

This was our last year as the Council's appointed auditors under the current Public Sector Audit Appointment contract. We would like to thank the Council officers and Members for all their assistance over the years. We look forward to maintaining the excellent relationships established at the Council and working with you as appropriate in future.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September 2015 to the Corporate Committee. The key messages reported were:

- The Council provided us with a good set of financial statements and working papers by the specified deadline.
- The quality of information supporting the transactions and balances within the financial statements has proven to be robust.
- We did not identify any adjustments affecting the group and Council's reported financial position.
- The restatement of prior year balances for the 3 schools that the Council bought back onto the balance sheet did not comply with accounting guidance. The Council has since prepared a 3rd Balance Sheet and taken the 2013/4 notional adjustment out of the Consolidated Income and Expenditure Statement.
- The Council has produced a good set of financial statements and working papers by the deadline for 2014/5. The change of the accounts preparation deadline from 30 June to 31 May and auditor deadline from 30 September to 31 July for 2017-18 will be a challenge for the Council. The Council will need to review their closedown timetable with the aim of bringing forward tasks and reviewing areas where a greater use of estimates will be required. The commitment of council officers outside of central finance to the accounts process will also be crucial in assisting with earlier closedown. The Council needs to start planning for this change now and should aim to achieve a sign off of its 2015-16 audited financial statements by the end of August for next year.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.</p> <p>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 2015.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
Certification of housing benefit grant claim	<p>We are still working on the Housing Benefits grant claim which has an end of November deadline.</p>
Audit fee	<p>Our fee for 2014/15 was £275,300, excluding VAT which was in line with our planned fee for the year. There is no change in the fee from the previous year. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council continues to provide 100% for debt over 2 years old. There remains over £33m of debt that is over 2 years old which the Council is still pursuing, but is still not being collected. If these debtors genuinely will not be collected the Council need to consider writing these balances off.</p> <p>Recommendation: Review all debtors over 2 years old and write off amounts where it is considered that these will not be collected</p>	Medium	<p>Management Response This issue will be raised through the Debt Boards in September and October 2015. Write –offs take place on a quarterly basis and any necessary as a result of the review will be actioned through this route.</p> <p>Responsible officer: Corporate Debt Manager (SSC).</p> <p>Due date: October 2015 to March 2016</p>
2.	<p>From a sample of 25 school bank reconciliations, we identified 6 schools where items (net value of £142k) within the schools cash book had not been correctly treated on the reconciliations.</p> <p>Recommendation: Undertake a thorough review of all schools bank account reconciliations as part of the Council's year end accounts processes</p>	Medium	<p>Management Response As part of the process for bringing forward the closure of accounts process it is proposed to review the information and training requirements for schools to feed into a revised timetable by December 2015. The Council's Chief Internal Auditor has also been asked to specifically consider this issue in relation to school's processes in those audits taking place from September onwards. Internal Audit will review instructions and guidance provided to schools by Corporate Finance in relation to supplying the required information for the Statement of Accounts; and will confirm processes in place at the school are adequate to ensure compliance with the guidance</p> <p>Responsible officer: Finance Manager Schools (SSC), Chief Internal Auditor.</p> <p>Due date: December 2015</p>

Appendix A: Key issues and recommendations

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
3.	<p>In December 2014 the Council implemented a vendor invoice managing system on ONE SAP. The implementation had some teething issues caused by insufficient training of all staff, the email system to inform managers to approve purchase orders was not set up properly and outdated hardcopy invoices were scanned onto the system all of which did not require payment. These factors contributed to a backlog of approximately £30m worth of invoices that need paying.</p> <p>Recommendation: Review the lessons from the implementation of the vendor invoice managing system on ONE SAP and apply these to any future system changes</p>	Medium	<p>Management Response A lessons learnt document has been produced and considered by the Council's Statutory Officers Group (SOG). The learning points will be cascaded to all relevant system owners.</p> <p>Responsible officer: Senior Officer Group</p> <p>Due date: October 2015</p>

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	275,300	275,300
Housing benefit grant certification fee	45,900	TBC
Total audit fees	321,200	TBC

Fees for other services

Service	Fees £
Audit related services	
Certification of Teachers' Pensions return	3,500
Housing Capital Receipts Return	3,500
Decent Homes Backlog funding	4,000
Non audit related services	Nil

Reports issued

Report	Date issued
Audit Plan	22 June 2015
Audit Findings Report	24 September 2015
Certification Report	Proposed December 2015
Annual Audit Letter	October 2015



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