

**Report for:** Corporate Committee 26 March 2019

**Title:** Update on 2017/18 Audit and Audit Plan 2018/19

**Report authorised by:** Jon Warlow, Director of Finance (S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions, Treasury & Chief Accountant  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Non Key decision

## 1. Describe the issue under consideration

- 1.1. This report updates the Committee on the Council's plan for the audit of the Statement of Accounts for 2018/19, and provides some updates requested by the Committee at the previous meeting which relate to the prior year (2017/18) audit.

## 2. Cabinet Member Introduction

- 2.1. Not applicable.

## 3. Recommendations

- 3.1. That the Committee notes the contents of this report and any further oral updates given at the meeting by BDO LLP.

## 4. Reason for Decision

- 4.1. None.

## 5. Other options considered

- 5.1. None.

## 6. Background information

- 6.1. The audit plan will be presented by Leigh Lloyd Thomas the Audit Partner from BDO. The plan sets out the approach the auditors will take, the key issues, timescales, staffing and fee for the audit. The audit plan is appended to this report at Appendix 1.

- 6.2. Officers will provide the auditors with all necessary information during the audit which will take place during June and July. BDO will then report back to the Corporate Committee in July on their findings and any recommendations.
- 6.3. The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2015. The draft accounts must be prepared and certified by 31st May by the Section 151 Officer that they represents a true and fair view of the financial position of the Council.
- 6.4. Members will note that the timescales for the audit and committee sign off of accounts and has moved forward from 30 September, to 31 July compared to prior years. This is the second year of the brought forward timescales, and was a legislative requirement which began from 2017/18 onwards. The Council's Statement of Accounts must be submitted to the external auditor by 31 May (previously 30 June), and the audit and committee sign off has moved forward to 31 July (previously 30 September.) The Council met these timescales last year, however they remain challenging.
- 6.5. The content of the Statement of Accounts is largely determined by statutory requirements and mandatory professional standards as set out within the "Code of Practice on Financial Reporting" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS), however adopts these in some cases to tailor their application to Local Government Finance.

#### **Updates on items highlighted in the 2017/18 Audit**

- 6.6. In the Corporate Committee meeting of 5 February 2019, members requested updates from officers on two issues highlighted in the prior year's audit.

#### **Fixed assets update**

- 6.7. The audit completion report presented to the Corporate Committee in July and September 2018 noted some minor issues regarding the data held in the council's asset register. This included issues such as:
  - 6.7.1. The floor areas of some assets being inaccurate/outdated
  - 6.7.2. There was one asset from the auditor's test which was mistakenly classified as Investment Property instead of 'Other land and buildings'
  - 6.7.3. There was one duplicate entry found in the asset register
  - 6.7.4. One property which was in the process of being purchased at the year end, but not completed until after the year end was not recognised as a prepayment

- 6.7.5. Some expenditure recognised under assets under construction which related to works to existing assets, had not added value, and resulted in an impairment being required.
  - 6.7.6. Premises of one school that the Council funds but does not own were erroneously included in the asset register
- 6.8. BDO made a number of recommendations that the Council agreed with regarding management and maintenance of the Council's asset register, around areas such as the input of new assets, review of existing data held, and the classification of assets in the assets under construction and investment properties. The Council's processes have been reviewed, in light of the above findings. Officers hope that the audit for 2018/19 will ultimately highlight a positive direction of travel, however, given that the Council owns over 15,000 individual assets, audits are always likely to highlight some areas for improvement.

### **Social Care Accruals**

- 6.9. The audit completion report presented to the Corporate Committee in July and September 2018 noted that in prior years, adult social care costs had been under accrued for. Audit testing highlighted discrepancies of £16k, which was then extrapolated across all payments to £2.4m. Officers have noted that delays in payments do occur across the Council's c. 3,500 clients receiving support for adult social care for reasons such as:
- 6.9.1. Backdated care package adjustments
  - 6.9.2. Delays in the set up of vendors due to procurement procedures
  - 6.9.3. Delays in negotiation of complex service provision for clients. This may mean that the council disagrees with the level of service provided based on the original agreement, but is subject to the varying levels of support needed on a daily level by clients.
  - 6.9.4. Delays in invoicing from service providers, many of whom are small organisations who struggle with financial literacy.
- 6.10. The service have confirmed that these issues have had no impact on the actual care packages received by social care recipients.
- 6.11. The final audit report for 2017/18 confirmed that this issue was not considered to be material, and nor did it impact on the General Fund balance.
- 6.12. Finance have completed a review of the accruals process in adults social care: the processes for calculating accruals differ for different parts of the service, and are tailored to the specific nature of each service. A piece of work was completed to compare prior year accruals to actual amounts paid, and this found that on a global level, the accrual made matched the expenditure incurred in 2018/19 that related to prior years. Officers therefore believe we have assurance as to the integrity and robustness of the financial reporting in this area.

## **7. Contribution to Strategic Outcomes**

7.1. None.

## **8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

### Finance and Procurement

8.1. As this report details a financial subject matter, finance comments are made throughout the content of this report.

### Legal

8.2. The Council is a category 1 authority and must comply with the requirements of the relevant Regulations of the Accounts and Audit Regulations 2015 when preparing a statement of accounts. Members should note the content of this report and the progress made on those matters highlighted in the BDO external audit report. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee. The report does not raise any legal issues.

### Equalities

8.3. There are no equalities issues arising from this report.

## **9. Use of Appendices**

Appendix 1 – Audit Plan from BDO

## **10. Local Government (Access to Information) Act 1985**

10.1. Not applicable.