Report to the Corporate Committee

LONDON BOROUGH OF HARINGEY COUNCIL

Audit Completion Report

Year ended 31 March 2020

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CONTENTS

WELCOME

We have pleasure in presenting our Audit Completion Report to the Corporate Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Corporate Committee. At the completion stage of the audit it is essential that we engage with the Corporate Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Corporate Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Corporate Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Leigh Lloyd-Thomas

10 March 2021

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OVERVIEW
Executive summary

This summary provides an overview of the audit matters that we believe are important to the Corporate Committee in reviewing the results of the audit of the financial statements and use of resources of the Council for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is substantially complete and subject to clearance of outstanding matters on page 71, we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2020 by the end of March 2021.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified after our updated Audit Planning Report was issued in July 2020.

No restrictions were placed on our work.

Audit report

Subject to clearance of the outstanding matters, we anticipate issuing an unmodified audit opinion on the Council and consolidated Group financial statements.

We are proposing to issue an unqualified use of resources conclusion.

We will report an emphasis of matter in our audit report in relation to the material uncertainty around PPE and Investment Property valuations.

THE NUMBERS

Executive summary

Final materiality

Group and Council final materiality was determined based on gross expenditure.

We have increased our Group materiality slightly from £16.1 million to £16.4 million (Council materiality £14.8 million) as a result of an increase in final outturn of gross expenditure compared to the prior year.

Audit adjustments

There were nine audit differences identified by our audit work that were adjusted by management.

These adjustments reduced the Council's draft deficit on the provision of services by £0.4 million (from £6.788 million to £6.388 million) and increased net assets by £7.4 million.

The Group draft deficit on the provision of services increased by £5.9 million (from £12.162 million to £18.062 million) and increased net assets by £1.1 million.

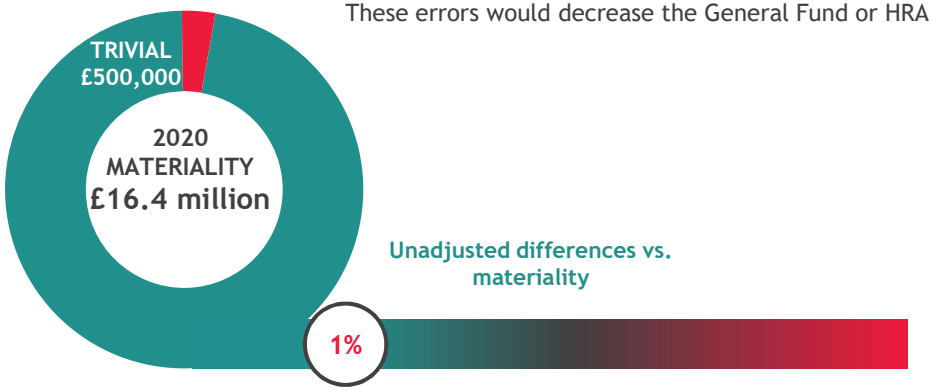
There was no impact on the Council's General Fund balance as a result of these adjustments but the HRA balance decreased by £5.300 million (to £10.282 million) as a result of these adjustments.

Unadjusted audit differences

The remaining audit differences identified by our audit if corrected would decrease the Council and Group's deficit on the provision of services for the year by £0.141 million (Council deficit decreased to £6.247 million and Group deficit decreased to £17.921 million).

Net assets would increase by £1.923 million for both the Council and Group.

These errors would decrease the General Fund or HRA balances by £0.859 million.



Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 Audits of Group Financial Statements.

We have audited the Council's financial statements under the NAO Code of Audit Practice.

Homes for Haringey is audited by PWC and Alexandra Park and Palace Charitable Trust is audited by Haysmacintyre.

OTHER MATTERS
Executive summary

Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- We noted that the 'revenue spending in 2019/20' outturn does not appear to be consistent with the Expenditure Funding Analysis (EFA) for expenditure before accounting adjustments. This chart should be consistent with the EFA since the EFA is the 'segmental reporting' analysis for management accounts outturn. Management has confirmed that the narrative report will be amended to take account of these issues in the final version of the financial statements.
- We noted that the impact of COVID-19 narrative was out-of-date and should be updated to reflect the current position. Management has confirmed that the narrative report will be amended to take account of these issues in the final version of the financial statements.
- With the exception of the issues above, we are satisfied that other information in the Narrative Report is consistent with the financial statements and our knowledge.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the Council in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

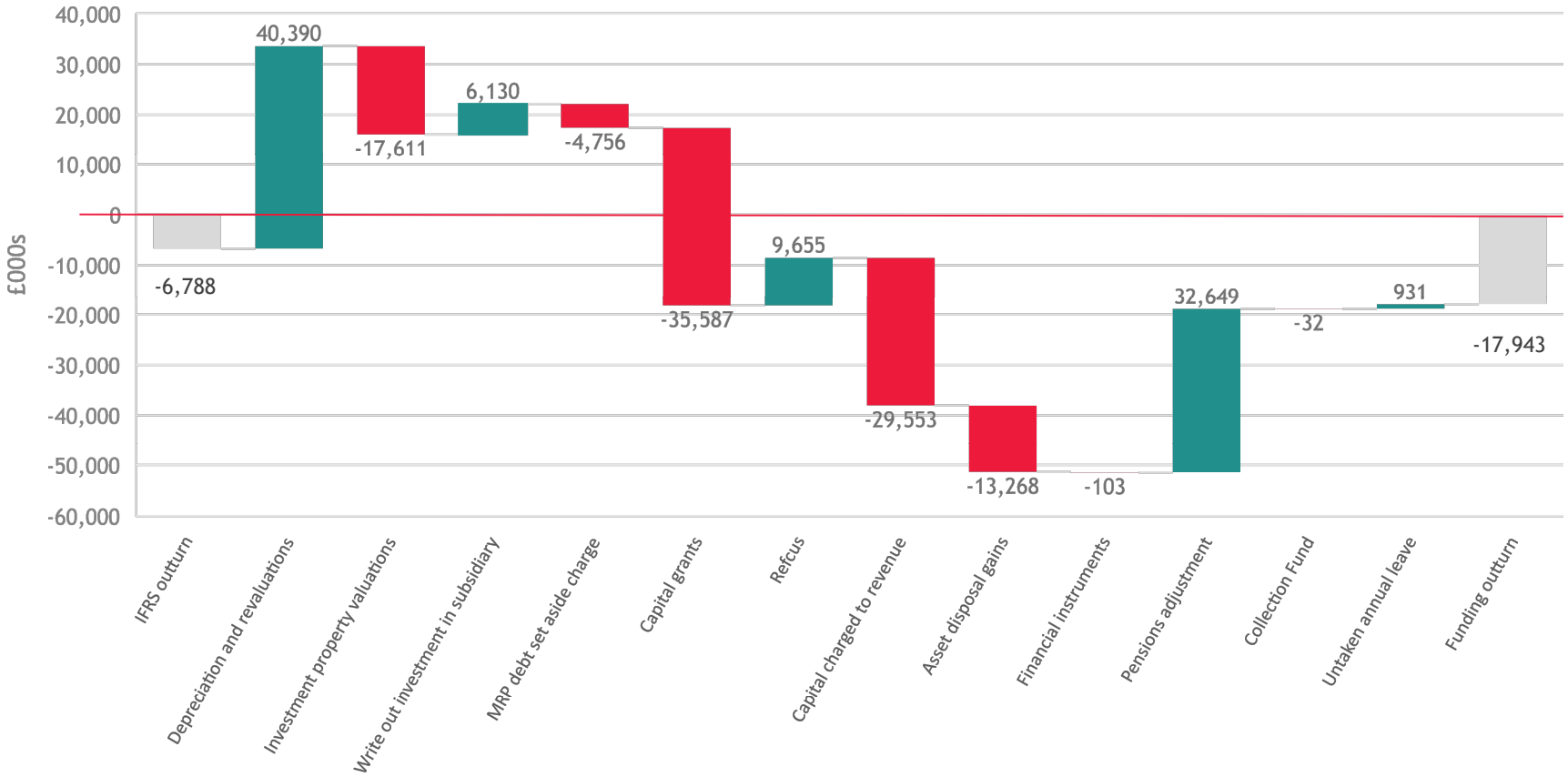
FINANCIAL OUTTURN

Executive summary

Reconciliation of Draft CIES accounting outturn to funding outturn

The chart below highlights the statutory adjustments made to the CIES reported 'deficit on the provision of services' of £6.8 million (based on IFRS financial reporting requirements), per the draft accounts and before any audit adjustment, to the funding outturn deficit of £17.9 million.

This includes adjustments to remove capital charges and gains (such as depreciation, revaluations, write out of capital investments and asset disposals) and replace with the statutory Minimum Revenue Provision, remove capital grants received and revenue funded from capital resources, include capital expenditure charged to revenue and replace the IAS 19 based pension costs for the year with amounts payable to the pension fund.



CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the Chief Finance Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern that the Chief Finance Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity's resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).
- If the Chief Finance Officer considers that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government's commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor's review of Chief Finance Officer's assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report. While our assessment is iterative, our current view is that management has a good understanding of the impacts of coronavirus on year end reporting and auditing and the budget requirement in the coming years.

Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Cornavirus pandemic. This guide aims to help audit committee members support and challenge the organisations they work with in the following areas: annual reports, financial reporting, control environment and regularity of expenditure.

The NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/

Implications for auditors

As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk:

- Valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), investment properties, intangibles, investments and accounts receivable
- Going concern and/or working capital assessment and disclosure
- Risk disclosures
- Subsequent event disclosures.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology
- Consider implications for the quality of audit evidence and reporting.

Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the financial statements and may be referred to by the auditor in their opinion/report.

AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated March 2020 and updated Audit Planning Report dated July 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on the overall audit strategy, allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts	Error identified	Significant control findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue recognition	Significant	No	No	No	No	No
Expenditure cut-off	Significant	No	No	No	No	No
Valuation of PPE and investment property	Significant	Yes	Yes	Yes	Yes	Significant issues: • Significant number of data errors in valuations Representations on key valuation assumptions
Valuation of pension liability	Significant	Yes	Yes	No	No	Representations on key actuarial assumptions
Non-current asset acquisitions	Significant	No	No	Yes	No	No
Reconciliation of bank accounts	Significant	No	No	Yes	Yes	Significant issues: • Full and complete bank reconciliation
Allowance for non-collection of receivables	Significant	Yes	No	Yes	Yes	Representations on collection rate assumptions
Going concern	Significant	No	No	No	No	No
Related party transactions	Normal	No	No	No	No	No

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Work performed

We carried out the following planned audit procedures:

- Considered estimates and judgements applied in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Reviewed and checked high value and unusual journal entries made in the year and agreed the journals to supporting documentation. We determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction; and
- Considered unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our views on significant management estimates are set out in this report and does not indicate any evidence of systematic bias in preparing the financial statements.

Our audit work on journals and estimates did not identify any issues.

The remaining unadjusted audit differences do not indicate bias or deliberate misstatement.

Conclusion

We have not identified any significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

REVENUE RECOGNITION

Auditing standards presume that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk.

We consider there to be a significant risk in respect of the existence (recognition) of grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).

Work performed

We tested a sample of revenue and capital grants included as income in the CIES to supporting evidence from grant paying bodies and checked that the recognition criteria had been met.

Results

Our audit testing did not identify any issues.

Conclusion

We are satisfied that grant income is supported by appropriate audit evidence and that the income has been appropriately recorded as income in the CIES.

EXPENDITURE CUT-OFF

For public sector bodies the risk of fraud related to expenditure is also relevant.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition.

For net-spending bodies in the public sector there is also risk of fraud related to expenditure.

Work performed

We have tested a sample of expenditure either side of year end, to confirm that expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Results

Our audit work confirmed expenditure has been recorded in the correct period did not identify any issues.

Conclusion

We have not identified any indication of fraudulent expenditure recognition in our work performed.

PPE AND INVESTMENT PROPERTY

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	■
Unadjusted error	■
Adjusted error	■
Additional disclosure required	■
Significant control findings to be reported	■
Letter of representation point • Investment property yields and rebuild cost indices	■

Risk description

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

RICS has issued guidance to valuers regarding material uncertainties in valuations due to prevailing market conditions. A RICS Material Valuation Uncertainty Leaders Forum meets weekly and regularly provides updates to practitioners.

The Council's valuers are engaged to provide valuations at 31 January and to refresh these valuations to 31 March. There is a significant risk that the valuers will not be able to provide valuations without reporting a material uncertainty over certain classes of assets.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed the accuracy and completeness of information provided to the valuer;
- Reviewed assumptions used by the valuer in light of the prevailing market conditions to support the valuations including any material uncertainty for classes of assets; and
- Followed up valuation movements that appeared unusual or outside of our expectations.

Emphasis of matter in the audit report

As noted above, RICS issued guidance to valuers regarding material uncertainties over valuations of land and buildings due to prevailing market conditions as a result of the coronavirus pandemic. The valuers responsible for valuing land and building included material uncertainties over their valuations in their reports as at 31 January 2020 and in their market review as at 31 March 2020.

Management are considering the additional disclosures for the financial statements in order to clearly describe the types of assets that fall within the valuers material uncertainty. We will refer to these disclosures as an emphasis of matter in our audit report as the matter is of such importance that it is fundamental to users' understanding of the financial statements (albeit our opinion is not qualified).

PPE AND INVESTMENT PROPERTY

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Results

Our review of instructions to the valuer did not identify any issues.

We concluded that the valuer was suitably qualified and experienced to undertake valuations under the Code valuation methodology. However, we refer you to some concerns on the following pages regarding the basis of providing beacon valuations for housing dwellings and other issues we found over inputs used and assumptions for some valuations.

Our review of the basis of valuations for assets valued in year identified that one community asset at £328,000 had been incorrectly classified as other land and buildings and valued on an Existing use basis. This should be recorded at Depreciated Historic Cost that we believe to be £1. Management has not corrected this (Unadjusted Ref#7). There was also an Asset under Construction at £8.35 million had been incorrectly classified as Council dwellings. Management has confirmed this will be corrected (Adjusted Ref#8). We conducted further review and did not identified any other misclassifications.

Our review of the accuracy and completeness of the data and inputs used by the valuer identified a significant number of errors:

- Investment property and surplus assets rent errors resulting in a net valuation understatement of £1.9 million (Adjusted Ref #1) and a further projected error of £2.1 million for investment properties and £0.3 million for surplus assets (Unadjusted Ref#1) – further details on page 17.
- Non-school building size errors on depreciated replacement cost valuation resulting in a net valuation overstatement of £4.0 million (£4.4 million overstatement Adjusted Ref#2 and £0.4 million understated Unadjusted Ref#2) and a further projected error of £1.4 million overstated valuation (Unadjusted Ref#2) – further details on page 18;
- School building size errors on depreciated replacement cost valuations resulting in a net valuation understatement of £18.2 million (£18.1 million Adjusted Ref#3 and £0.1 million Unadjusted Ref#3) and a further projected error of £3.1 million (Unadjusted Ref#3) – further details on page 19; and
- Incorrect BCIS rebuild cost rates had been used for two schools that resulted in an understatement of £332,000 of schools (Unadjusted Ref#4) – further details on page 19.

We are currently reviewing whether these were also errors in the prior year and, if material, would require a restatement of the prior year valuations.

The results of our review of the significant assumptions and estimates used by the valuer for classes of assets are reported on the following pages.

PPE AND INVESTMENT PROPERTY

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

Work outstanding

We are currently reviewing a number of remaining property valuations where the movement since the previous valuation is outside of our expectations using benchmark market data. This may result in additional errors that we will bring to your attention at the Corporate Committee meeting.

Representations required

We have sought specific representations over material assumptions used in the valuations including investment property yields and rebuild cost indices.

Conclusion

Work outstanding noted above regarding remaining outlier asset valuations to be completed before we are able to conclude on the valuations of land, buildings, dwellings and investment property valuations.

We have reported a significant control weakness over the accuracy of data used by the valuer to provide materially accurate valuations over Property, Plant and Equipment and Investment Property.

PPE AND INVESTMENT PROPERTY

Significant estimate – Investment properties and surplus assets

Investment property £89 million and surplus assets £13 million

< lower | Impact of assumptions on the estimate | higher >

Investment properties and surplus assets are valued by reference to highest and best use market value using an income based approach. These valuations are based on the current passing rents for existing lease terms, expectations about future rents at the next rent review, market driven yield expectations for similar properties and the covenant strength of the existing leases. The significant valuation assumption is the market yield applied to the rents.

Investment properties increased in value by £18.1 million (to £88.6 million) driven primarily by revaluation gains of £17.6 million. Surplus assets increased in value by £1.4 million (to £12.9 million) with revaluation gains of £4.6 million.

We set expectations on the valuation movement for the portfolio based on year-end market trends by property type (such as office, retail or industrial). For those properties where the valuation movement was outside of the expected range, we reviewed the valuer's calculations and assumptions. We also selected all material properties and a sample of others to review the accuracy and completeness of the data inputs used by the valuer. This review has identified the following errors:

- 7 High Street – incorrect lease terms has been used and the asset valuation has been overstated by £13,700
- 532 - 538 Lordship Lane – incorrect rental income has been used and the asset valuation has been overstated by £1,000
- The Laurels, 256 St. Anns Road – incorrect lease terms has been used and the asset valuation has been overstated by £1.9 million
- Storage Depot, 61-69 Western Road – incorrect rental income has been used and the asset valuation has been overstated by £2,700
- Somerset Road, Tottenham Green Workshops – incorrect rental income has been used and the asset valuation has been overstated by £104,300.

As these errors all relate to input data errors (rents used and lease term) and similar errors may exist across all similar properties, we have extrapolated this error rate across the remaining population and have estimated that there may be further valuation errors of £2.1 million for investment properties and £0.3 million for surplus asset. The total projected error is £4.4 million understated valuations.

Management has agreed to correct the £1.9 million error for The Laurels, 256 St. Anns Road and the remaining errors and extrapolated errors have not been adjusted.

The Council has classified the basis of valuation as fair value level 2 (using data that can be agreed to similar benchmark and observable data). At the adoption of IFRS 13 for fair value measurements, CIPFA did suggest that investment properties could be classified as level 2. However, the real estate sector has since agreed that investment properties should be disclosed as level 3 fair value measurements because there are inputs to the valuations that are often not identical to market and benchmark data, where the valuer is making certain estimate adjustments and judgements to the valuation (e.g. covenant strength of tenant, passing rent etc). Management is content that these should be level 2 and we do not consider this to materially affect the disclosures required or the valuation of the investment properties.

Other than the errors above, we concluded that the valuations for investment properties and surplus assets are reasonable and market rate yields applied are appropriate.

PPE AND INVESTMENT PROPERTY

Significant estimate – Non-school other land and buildings

Non-school land and buildings £259 million

< lower **Impact of assumptions on the estimate** **higher >**

Non-school other land and buildings increased in value by £70.4 million and included revaluation gains of £12.8 million.

For operational, non-specialised properties, these valuations may be based on:

- income approach using the current net profits for the assets at market driven yield expectations for similar types of assets (eg car parks, markets); and
- recent market sales prices for similar assets adjusted for size and condition.

The significant valuation assumptions are the market yield applied to net profits and sales of similar properties.

For specialised properties, they do not have a market value due to their specialised nature are valued on a depreciated replacement cost basis. This valuation estimates the cost of replacing the 'service potential' of that asset using modern materials and adjusted to reflect the age and obsolescence of the asset to reflect its remaining useful economic life.

We set detailed expectations for year on year valuation movements in asset values, taking into account various external sources of information tailored to the individual assets that were revalued. For those assets where the valuation movement was outside of the expected range, we reviewed the valuer's calculations and assumptions. We also selected all material properties and a sample of others to review the accuracy and completeness of the data inputs used by the valuer. This review has identified the following errors:

- Park Lane Children's Centre, Woodside Children's Centre, Triangle Children's Centre, Russell Park (Noel Park Play Centre), 108 Tangmere, Hornsey Central Library, Chestnuts Park (public convenience), Care Home, 75 Fortis Green and Tottenham Sports Centre – incorrect floor areas have been used in the calculation which has resulted in a net understatement of £378,800;
- Ashley Road Depot – incorrect floor area has been used in the calculation which has resulted in an overstatement of £684,000; and
- Pendarren House – incorrect floor area and allowance for age and obsolescence were used in the valuation calculation that resulted in a overstatement of £3.7 million. The valuer had applied the standard age and allowance reduction cap that should be overriden in the event that a building requires significant work or is subject to dilapidation. In this case, the Council has stopped using this building due to significant structural and repair work required to make it operational.

As these errors all relate to input data errors (building size / age allowance) and similar errors may exist across all similar properties, we have extrapolated this error rate across the remaining population and have estimated that there may be further valuation errors of £1.4 million for non-school land and buildings. The total projected error is £5.4 million overstated valuations.

Management has agreed to correct the errors on Ashley Road Depot and Pendarren House totalling £4.4 million and the remaining errors and extrapolated error have not been adjusted.

Other than the errors above, we concluded that the valuations for non-school land and buildings are reasonable.

PPE AND INVESTMENT PROPERTY

Significant estimate – Schools

Schools land and buildings £606 million

< lower **Impact of assumptions on the estimate** **higher >**

Schools have increased in value by £12.1 million with the revaluation gains of £14.2 million.

Schools do not have a market value due to their specialised nature are valued on a depreciated replacement cost basis. This valuation estimates the cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

The valuer has used tender rebuild prices provided by RICS (using mean prices for January 2020) with a Haringey location cost adjustment, using an appropriate rebuild cost per square foot for each type of property. The valuer has applied an ageing adjustment using the original build date of the property and standard useful economic lives for each type of property to reflect the percentage of the remaining economic live, with ageing only coming into effect after the first 10 years of its construction as little ageing in the building is expected in these initial years. The key input to the depreciated replacement cost valuations is the size of the building and the key estimate is the rebuild cost to be applied.

We set detailed expectations for year on year valuation movements in asset values by comparing changes in build cost and location cost adjustment factor for 2019/20. For those assets where the valuation movement was outside of the expected range, we reviewed the valuer's calculations and assumptions. We also selected all material schools and a sample of others to review the accuracy and completeness of the data inputs used by the valuer. This review has identified the following errors:

- North Harringay Primary School and Broadwater Farm Primary School Junior (The Willow) – incorrect build cost was used in the calculation which has resulted in an understatement of £332,000; and
- Belmont Infants & Juniors, Welbourne Primary School, Lea Valley Primary, South Harringay Infant School, St Aidans Primary School, Bounds Green Infant & Junior Schools, Campsbourne Infant & Junior Schools, Highgate Wood Secondary, Hornsey School For Girls, Mulberry Primary, Rhodes Avenue Primary, Stroud Green Primary, Tetherdown Primary, Coleridge Primary School, Seven Sisters Primary School and Coldfall Primary School – incorrect floor area is used in the calculation which has resulted in an understatement of £18.2 million.

As these errors all relate to input data errors (building size) and similar errors may exist across schools, we have extrapolated this error rate across the remaining population and have estimated that there may be further valuation errors of £3.1 million for school land and buildings. The total projected error is £21.3 million understated valuations.

Management has agreed to correct the Highgate Wood Secondary, Hornsey School For Girls, Tetherdown Primary, Coleridge Primary School, Seven Sisters Primary School and Coldfall Primary School errors which make up £18.1 million of the total £18.2 million understatement and the remaining errors and extrapolated error have not been adjusted.

Other than the errors above, we concluded that the valuations for school land and buildings are reasonable.

PPE AND INVESTMENT PROPERTY

Significant estimate – Council dwellings

Council dwellings £1,385 million

< lower | Impact of assumptions on the estimate | higher >

Council dwellings have increased in value by £60.7 million including revaluation gains of £27.7 million.

Council dwellings are valued at open market value and adjusted to 25% of this valuation to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional (London) differences between market rents and social rents. The valuer has adopted the Beacon approach when valuing the council dwellings, where the properties are allocated into relevant Beacons (for similar types of properties) and valued by reference to recent sales data for similar properties. Beacons are valued on a 5-year rolling programme with approximately 20% revalued each year. The remaining properties not revalued in year are adjusted by local price indices such as data provided by the Land Registry.

The valuer has undertaken a review of 80 (19%) Beacon properties as at 31 January 2020 that reported an overall increase in valuation of 3.18%. The remaining properties have been indexed upwards by 4.3% to 31 January 2020 based on an average of the Beacons that were subject to revaluation in year and applying professional judgement for any movements in the market. A further uplift of 1% has been applied to all dwellings to reflect price movements from 31 January to 31 March 2020.

The key input to the valuation is the allocation of all dwellings into an appropriate Beacon. For a sample of dwellings we confirmed that these were allocated to an appropriate Beacon by reference to location, architype and number of bedrooms.

The key estimates are the open market value of a Beacon by reference to recent similar sales for revalued Beacons or housing indices used for properties not revalued in year.

We assessed the reasonableness of the overall valuation movement using London house price index data from Halifax and Nationwide, Land Registry data as well as other publicly available external residential market data for London from Savills and the GLA London Datastore. This confirmed that the indexation of +4.3% from January 2019 to January 2020 and additional uplift of +1% to March was reasonable.

We reviewed a sample of Beacon valuations to data used by the valuer to confirm that appropriate similar recent sales had been used.

For those beacons that were outside of the expected range, we have conducted further market research and discussed our findings with the valuer. This found instances where the movement in year could not be explained by local factors and indicated potential errors in either the previous or current valuation. For example, following a review of housing stock data in 2018/19 some properties were found to have incorrect bedroom numbers and resulted in some new Beacons being created. One such property (4 bed flat Crouch Hall Road) was valued last year at open market value of £620,000 and this year valued at £1.313 million (increase +112%) based on the sale of one similar property at £1.4 million. Clearly this flat has not increased by this amount in 2019/20 and the valuer noted that last year's valuation was based on general values and was not inspected.

Another example outlier the Beacon property 1 bed flat in Weir Hall Avenue last valued in 2016 with annual indexation to January 2019 valuing this at open market value of £282,000. This year's valuation is £180,000 (decrease 36%) based on the sale of one similar property at in The Weymarks at £180,000. It is unlikely that this property has fallen in value by this amount in 2019/20.

(continued over)

PPE AND INVESTMENT PROPERTY

Significant estimate – Council dwellings

Council dwellings £1,385 million

We note that the valuer had sometimes used only one comparable sale to support the Beacon revaluation (for 27 of the 80 Beacons) and provided little additional evidence for us to review and assess whether further adjustments should be made to the comparable property sold for issues such as price movements from the date of sale to the date of valuation, size differentials or specific location adjustments for the property. With other valuers we usually observe that they use a minimum of three recent similar sales to value the property and a clear explanation of any differences (and price adjustments) made for date of sale and other property specific adjustments for size, specific location, standard of decoration, access to gardens etc.

This is likely to result in larger variances for re-priced Beacons and may account for the larger outlier movements for revalued Beacons in each year. We consider that more than one comparable sale should be used to re-price Beacons along with more granular data to compare the Beacon with the properties used as comparable sales.

In response to the two outlier valuations we queried on the previous page, the valuer has stated: they consider that the values reported from the comparable review have no errors and that previous valuations are also creditable which have subsequently been indexed. There will inevitably be fluctuations within the stock but what the Beacon approach attempts to ensure is that over the whole profile these are within reason as everything is reviewed at least once every five years with indexation accounting for the different years. Again I reiterate, the fact that there is only a 2% difference between the indexation movement and the comparable shows that the beacon methodology on a rolling basis is an appropriate method for report HRA stock valuations.

Overall, we are satisfied that the valuation of Council dwellings is within a reasonable range. The indexation applied to properties not subject to revaluation this year is consistent with external data on house price movements for the borough and North London. The outlier valuations comprise 10 Beacons with a fall greater than 10% (233 dwellings and reduction £5.5 million at discounted social rents value) and 25 Beacons with an increase greater than 10% (1,087 dwellings and increase £14.7 million at discounted rents value), although the average increase of 3.18% is reasonably consistent with the average index price increase of 4.3%. A difference of 1.1% between the re-priced Beacons this year and the indexed properties is within a reasonable tolerance range but may indicate that the application of the index in recent years may have accelerated valuation above actual local prices to some degree, and that the overall valuation may have now moved towards a more optimistic position within this range.

VALUATION OF PENSION LIABILITY

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	■
Unadjusted error	
Adjusted error (disclosure)	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point • Financial and mortality actuarial assumptions	■

Risk description

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability. In the 2019/20 financial statements the estimate will be based on the submission of membership data from the 2019 triennial valuation exercise that has been completed for the LGPS.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Work performed

We carried out the following planned audit procedures:

- Reviewed the competence of the management expert (actuary);
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Reviewed the controls for providing accurate cashflow data (contributions, benefits paid and fund returns) to the actuary for 2019/20;
- Checked whether any significant changes in membership data had been communicated to the actuary; and
- Reviewed the reasonableness of the assumptions used by the actuary (management's expert) for the calculation of the liability against other local government and actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by our consulting actuary (auditor's expert).

Results

We are satisfied that the actuary has the appropriate skills and experience, and has applied the appropriate technical actuarial standards to calculate the Council's LGPS funded and unfunded pension liabilities.

We reviewed the accuracy of the data provided to the actuary for the 2019 triennial valuation. The final report from the actuary indicated that after the data validation stage, the membership data submitted by the Fund for the 2019 valuation was suitable for the purpose of the funding valuation. This membership data is rolled forward for use in the 31 March 2020 accounting valuation. Our sample testing of member records found no issues over data provided to the actuary.

VALUATION OF PENSION LIABILITY

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Results (continued)

Our testing has identified that benefits paid disclosed in both the reconciliation of scheme assets and liabilities in note 35 is overstated by £5.6 million. This does not impact the net pension liability disclosed in the balance sheet. This will remain uncorrected in the final version of the financial statements.

We also noted that the actuary's estimated closing pension fund investment valuation (and the share of the net loss for the year allocated to the Council) appeared to be significantly higher than the actual fund closing investments value. Further enquiries found that the actuary had allocated an 'experience gain' on asset allocations following the triennial valuation that had been offset against the net return (loss) on investments allocated to the Council that explained this apparent inconsistency.

The actuary has applied full GMP indexation for members at state pension age at 31 March 2020. No GMP indexation was included in the pension liability in the previous year and we had estimated that this would have increased the liability by £5.1 million (Group £5.9 million). We requested that the actuary separately identify the increase in liability this year due to GMP indexation to allow us to compare this to other LGPS funds and our previous estimate. However, the actuary responded that this is not separately identified within the overall liability and that the Council would have to request (and pay) for this as a separate report.

In the previous year the actuary provided an updated valuation to include additional liabilities arsing from McCloud of £6 million (Group £7 million). We requested that the actuary separately identify the increase in liability this year due to McCloud to allow us to compare this to other LGPS funds and the estimate in the previous year. However, the actuary responded that this is not separately identified within the overall liability and that the Council would have to request (and pay) for this as a separate report. We also enquired whether the liability includes the remedy for all members in the scheme at 2014 (as originally expected) or had been updated to require that members to be active at 2012 (as per the latest MHCLG consultation) as this would reduce the McCloud liability. Again, this information has not been provided.

We noted that the draft financial statements also report this as a contingent liability but this disclosure and this now been removed as the impact has already been incorporated into the liability.

VALUATION OF PENSION LIABILITY

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Results (continued)

In July, HM Treasury announced it would amend the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and this will also apply to other public sector pension schemes. This extends the qualifying years of service for a female member who died after December 2005 that will increase the pension of a surviving male spouse to the same basis as the pension of a same sex surviving spouse. This is expected to result in higher survivor pensions although the actuary has not included this in the pension liability. Initial discussions with actuaries suggests that the impact will not be material.

Our review of the assumptions used to calculate the present value of future pension obligations is noted in the following pages, and were found to fall within a reasonable range.

Representations required

We have sought specific representations over material assumptions used in the valuation of the pension liability including the financial and mortality assumptions (see next page).

Conclusion

The defined benefit obligation has been appropriately calculated and the assumptions used are reasonable.

While the actuary has not provided us with separate identifiable amounts for GMP indexation and McCloud this year to compare with other LGPS and the previous year estimates, and no liability has been included for the Goodwin case, the impact of these estimates are not material to the fund liability.

VALUATION OF PENSION LIABILITY

Significant estimate – Pension liabilities

Pension liabilities (Council £1,576.3m and Group £1,768.9m)

< lower | Impact of assumptions on the estimate | higher >

The Council's pension liability has decreased from £1,805.2 million to £1,576.3 million and its share of the scheme assets decreased from £1,128.3 million to £1,082.7 million. The net deficit decreased by £183.4 million to £493.5 million. The reduction in the liability includes £130.5 million gain arising from changes to financial assumptions including annual salaries increases of 2.9% (previously 3.1%), annual pension increases of 1.9% (previously 2.5%), and a change in the rate of discounting scheme liabilities to 2.3% (previously 2.4%). It also includes a gain on demographic assumptions of £36.5 million arising from reduced mortality assumptions of approximately 1.1 years for future male pensioners and 0.7 years for future female pensioners as increases in life expectancy have stalled in recent years.

The impact of updating membership data for the triennial valuation has decreased the liability for 'experience actuarial losses' by £106.7 million, which represents a 5.9% reduction in the liability. We queried this with the actuary who confirmed that there was not one significant factor impacting this but several smaller factors, such as changes in the profile of members, member movements, and estimates and timings of some cashflows over the last three years. The movement is within a reasonable 'experience gain / loss' threshold following a triennial update of member data and therefore we have not undertaken any further work to confirm the actuary's responses.

The key estimates are the following financial and mortality assumptions. We have compared the assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financial:			
- RPI increase	2.90-2.70%	2.90-2.70%	Reasonable
- CPI increase	2.00-1.80%	2.00-1.80%	Reasonable
- Salary increase	2.90%	2.90-1.80%	Reasonable
- Pension increase 1.90%	2.00-1.80%	Reasonable	
- Discount rate	2.30%	2.30%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male future pensioners	22.7 years	21.6-23.3 years	Reasonable
- Female future pensioner	25.3 years	24.6-26.3 years	Reasonable
- Male current pensioner	21.5 years	20.5-22.2 years	Reasonable
- Female current pensioner	23.7 years	22.9-24.3 years	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate)	Reasonable	

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range. Our actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a slightly prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

NON CURRENT ASSET ACQUISITIONS

This is a risk that non-current asset acquisitions could be materially misstatements due to their complex nature.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

The Council acquired a portfolio of freehold residential blocks of 92 homes before 31 March 2020 to lease to the Community Benefit Society (CBS) for seven years after which further decision making will take place as to how these properties are utilised. The CBS was registered in November 2019 and is governed by charitable principles, whose purpose is to acquire and hold homes which can be used by the Council as either temporary accommodation or a long term settled home. These CBS properties will be managed by Homes for Haringey under a management agreement.

The Council also acquired the freehold interest in Alexandra House before 31 March 2020 to enable it to continue use the building as office accommodation in the medium term or longer term if necessary. Acquiring the freehold interest will require the Council to purchase 100% of shares in the company Ability (Wood Green).

Both purchases are material and will require consideration of complex entity structures and appropriate asset valuations for the financial statements, which presents a significant audit risk.

Work performed

- We reviewed supporting documentation and completion documents to ensure the assets were acquired before the year-end;
- We reviewed managements consideration of entity structures and accounting in the financial statements; and
- We critically evaluated the classification of the related non-current assets and revaluations.

Results

Residential accommodation £28 million acquisition

The properties are currently used as temporary accommodation and have appropriately classified as ‘other land and building’ assets within Property, Plant and Equipment. We tested a sample of properties acquired to supporting evidence and agreed the purchase price. These assets were subsequently revalued at 31 March 2020 as temporary accommodation.

We found that stamp duty taxes payable totalling £2.2 million had not been accrued and therefore the acquisition cost recorded as ‘additions’ was understated and, following revaluation, the revaluation movements posted to the CIES and revaluation reserve at the year end has also been misstated. Management has confirmed that it will correct this in the final version of the financial statements (Adjusted Ref#4).

NON CURRENT ASSET ACQUISITIONS

This is a risk that non-current asset acquisitions could be materially misstatements due to their complex nature.

Results (continued)

Alexandra House £22.6 million acquisition

The Council purchased the share capital of Alexandra House Wood Green Ltd for £6 million. This entity had no assets or liabilities but did have the right to acquire Alexandra House from Workspace plc for £15.5 million. The Council provided a £16.6 million loan to the entity to allow it to complete the freehold acquisition of Alexandra House including stamp duty and other associated cost, and this allowed the Council to continue to use this building for Council office accommodation in Wood Green.

We have reviewed the acquisition of the entity and agree that this is an asset acquisition, rather than a business combination under IFRS 3, and the Council has correctly initially recorded the £6 million investment in the entity at cost and then impaired this to £0 to reflect the recoverable amount from the net assets held at fair value.

The Cabinet report stated that the acquisition of Alexandra House represented the best operational outcome for the Council in meeting short to medium term accommodation needs and strategic location and potential for the site, that alternative office space was not available in Wood Green and the financial case offered the lowest net operational cost to the Council over a seven-year period compared to the other identified options for the required office accommodation.

The Council acquired Ability Wood Green Limited (now Alexandra House Wood Green Limited) for a sum of £6 million. Alexandra House Wood Green Limited had already entered into a contract with Workspace plc to acquire Alexandra House for a sum of £15.5 million, being the then agreed price and implied market value for the building. Acquiring Ability Wood Green Limited allowed the Council to purchase Alexandra House. When taking into account fees (including Stamp Duty), the total amount spent by the Council on this acquisition was £22.6 million. This was approved by the Council's Cabinet in February 2020 as the Council's view was that in light of the situation and the operational, strategic and financial benefits, it was justified in acquiring Ability Wood Green Limited and therefore its contractual obligation to purchase the property.

The loan to the entity is secured against the property (included in long-term debtors) and at some future date the entity will transfer the freehold ownership to the Council to settle the loan and this entity will then be closed down.

When consolidating Alexandra House Wood Green Ltd in the group accounts the Council is required to revalue the property in order to comply with the Council's PPE valuation policy, moving from a cost basis of recognition to an existing use valuation. The Council obtained an existing use valuation on Alexandra House at 31 March 2020 at £10.1 million. The draft financial statements show that the asset has been consolidated into the group accounts at cost of £16.6 million rather than £10.1 million. Management has confirmed that this will be corrected (Adjusted Ref#5).

Conclusion

Except for the correction required in the Group financial statements to write down the value of Alexandra House to existing use value £10.1 million, we are satisfied that the acquisitions have been appropriately accounted for in the single entity and group financial statements.

RECONCILIATION OF BANK ACCOUNTS

There is a risk that the cash balance could be materially misstated if reconciling items are not cleared on a timely basis or misappropriations could remain undetected.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	■
Letter of representation point	

Risk description

In the prior year we identified that there were a large number (and value) of unmatched debit and credit balance in the cashbook suspense codes that should be have cleared, and there were also some significant amounts going back a few years where differences between the batch total debit and credit had not been resolved and cleared.

We reported that a complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling items should relate to short-term timing differences. There is therefore a significant risk that the cash balance could be materially misstated if reconciling items are not appropriate timing differences.

Work performed

We carried out the following planned audit procedures:

- Reviewed and evaluated the controls introduced this year to reduce unreconciled differences on the bank reconciliation; and
- Tested unreconciled items on the bank reconciliation to ensure reconciling items are appropriately cleared after the year-end.

Results

Our audit testing found that the gross contra entry between bank and cashbook accounts totalled £10.26 million and of this we were able to verify that £9.56 million had been transferred from the general bank account to the expenditure bank account. There was a further £637,000 gross contra entry between bank accounts and of which £301,000 had been included within an unallocated suspense account. This means of the total gross contra entry of £10.26 million there are unmatched entries of £66,000 resulting in an overstatement of the cash balance.

We have also noted that are unmatched amounts of £737,000 brought forward from previous years resulting in an understatement of the cash balance.

Overall there is an understatement of the cash balance and income amounting to £671,000. This has been included as an unadjusted difference on page 45 (Unadjusted Ref#8).

Whilst there has been an improvement in clearing suspense cash book items and a significant decline of the number and value of large and old unmatched items compared to the prior year there remains a significant deficiency in control where a full and complete bank reconciliation has not been prepared as unmatched entries are still to be resolved.

Conclusion

Although our work has shown improvements in clearing suspense balances in the cash book, this continues to indicate that reconciling items on the bank are not cleared in a timely manner. A complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences. The cash balance could be materially misstated if reconciling items are not appropriate timing difference and we have again reported this as a significant control weakness.

NON-COLLECTION OF RECEIVABLES

There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	■
Letter of representation point • Collection rate assumptions	■

Risk description

The Council recognises an allowance for the non-collection of receivables (arrears and debt), primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. The Council assesses each type of receivable separately in determining how much to allow for non-collection. Due to the impact of the coronavirus pandemic there is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

Work performed

We carried out the following planned audit procedures:

- Reviewed the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears, and for financial assets within the scope of IFRS 9 that this also reflects expected credit losses; and
- Checked that information has been accurately extracted from systems to support the modelling of collection rates by age.

Results

Our review of the assumptions used to calculate the impairment allowance for non-collection of receivables is noted in the following pages, and were found to fall within a reasonable range based on the available data for historical collection rates.

However, since receiving the draft financial statements management has amended some assumptions in respect of the impact of COVID-19 on the recoverability of housing benefit overpayment which would reduce the impairment allowance by £1.47 million. This remains as an unadjusted audit difference (Unadjusted Ref#9) – see page 46.

Our audit work also found the sundry debt impairment allowance to be incorrectly calculated and as a result is overstated by £3 million. Management has confirmed that the allowance will not be adjusted for this (Unadjusted Ref#10) – see page 46.

We noted that allowance rates used by management to calculate sundry debts, HRA housing rents and housing benefit overpayment provisions had not been revised for a number of years. Whilst further work was carried out (by management and audit), to show that these estimates remain reasonable based on recent collection rates, we recommend that management regularly refresh data on current collection rates to inform estimates going forward and make these available to audit to support impairment allowances.

NON-COLLECTION OF RECEIVABLES

There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Results (continued)

Management will also need to consider whether historic collection rates are still the best estimate given the difficult economic climate some of its debtors may be facing as well as carrying out more detailed expected credit loss analyses for sundry debts in order to comply with the requirements of re-measuring financial assets under IFRS 9.

Representations required

We have sought specific representations that historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Conclusion

Although expected credit loss estimates do not include any enhanced forecasting of losses, we are satisfied that the impairment allowance estimate is reasonable.

We have reported a significant control weakness regarding the use of historic collection rates without providing refreshed collection rate data and failure to fully adopt the requirements of IFRS 9 for financial assets and to assess the impact on potential future losses based on economic conditions at 31 March 2020.

NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Impairment allowance £103.6 million

< lower | Impact of assumptions on the estimate | higher >

Sundry debts

Sundry debts consist of commercial and leaseholder rents and general trade debtors. In the draft financial statements the Council recognised an allowance for non-collection of these debts of £3.7 million on total debt of £22 million. This provision has increased by £0.4 million from the prior year.

This year's impairment allowance has been estimated by reviewing the overall collection rates over all types of sundry debt. The CIPFA Code is clear that certain types of debt, such as NHS, Government and other local authorities should be excluded from the impairment allowance since non-collection due to the inability of these entities to pay does not exist, and the collection rates should focus on other sundry debt where there is a risk of non recovery of debt or receivables.

In recent years, the Council has used provision rates according to the age of the debt which has been 10% (90-120 days), 20% (121-150 days), 40% (151-180 days), 60% (181-220 days) and 90% (>211 days), although these rates have not been reviewed and refreshed for some years. If the Council applied these rates to the appropriate categories of general debt this year (commercial and leaseholder rents and general trade debtors) it would indicate a potential impairment allowance required of £6.7 million. The increase compared to the prior year is because debt over 211 days has increased substantially (increased by £6.4 million) which was provided for at 90%. Management has confirmed that the impairment allowance on sundry debt will not be adjusted and as such we have reported a £3 million unadjusted audit difference.

Therefore, we requested that management carry out a fresh review of collection rates and the results of this review confirmed that the collection rates used in previous years remain reasonable and the revised methodology applied this year significantly under-estimates potential losses. The average collection rates over the last 6 years would suggest that the impairment allowance should increase to £7.3 million, or using only the last 5 years the impairment losses allowance would be £6.9 million.

These estimates and methodologies have not considered the impact of future expected losses based on conditions at 31 March 2020 where the use of historic collection rates may no longer be appropriate. In our view, the impact of Covid on the economy is likely to increase the amount of debt that will not be recovered compared to previous years, and IFRS 9 requires that future credit losses should be recognised based on these conditions. However, it is unlikely that this review would indicate a significant level of misstatement based on net recoverable amounts of £15 million (after the £3 million adjustment above).

We recommend that management ensures that the provision is appropriately calculated in future years and a full expected credit loss review is carried out as debts are likely to increase in future years given the difficult economic climate facing some of its debtors and hence the provision may need to be higher when considering future impacts of the current climate on sundry debtors.

NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Impairment allowance £103.6 million

Housing benefit overpayments debt

The Council has recognised an allowance for non-collection of housing benefit overpayment debt of £30.7 million on total debt of £35.9 million. The current year allowance remains the same as the prior year despite total debt reducing by £2.2 million.

The provision is estimated based on 100% for balances over four years, 80% (3 years), 70% (2 years), 65% (1 year) and 40% (current debt less than 1 year) for debts where overpayments are being recovered from on-going benefit payments. Where debts are not being recovered from on-going benefit payments the provision is usually estimated based on 100% for balances over four years, 90% (3 years), 70% (2 years) and 55% (all other debt). These are historic collection rates calculated some year ago and have not been reviewed and refreshed for some years. Management has amended the collection rates this year by increasing the impairment rates by 10% to take account of Covid and management's expectation that recovery rates will suffer.

Since receiving the draft financial statements management has amended its assumptions in respect of the impact of Covid and reduced the 10% uplift in the impairment to 5% to be consistent with that applied to other debts. This will reduce the impairment allowance by £1.47 million but no adjustment has been made for this in the financial version of the financial statements.

Management has not provided more recent collection rates data or any evidence to support the assumptions they have used to determine what the impact of Covid on the recoverability of this debt. However, given that the recovery of overpaid housing benefits is low across local authorities, and collection rates for debt over 1 year not already part of an agreed repayment plan or deduction from on-going benefit is often very small, we are satisfied that the impairment allowance is reasonable.

As part of the review, we noted that debtors amounting to £4.3 million listed as "status unknown", and fully impaired, are not being actively pursued and we would recommend the Council writes these off.

Council Tax

The Council has recognised an allowance for non-collection in relation to its share of the council tax arrears of £16 million against its share of the arrears of £22.3 million (total collection fund arrears is £27.7 million). The Council's provision has decreased £1.2 million from the prior year.

This impairment allowance is calculated using recent data on collection rate information from the last four years. We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

Penalty charge notice (PCN) arrears

The Council has recognised an allowance for non-collection of PCN debt of £26.7 million on total debt of £28.8 million. This provision has increased by £9.4 million from the prior year along with a significant increase in debt (2-3 year old debt increasing from £1.8 million to £7.8 million) as fewer PCNs have been written off this year. Management explained that they had not reviewed the debt in detail at 31 March 2020 to determine what debt should be written off as it has done in previous years.

The impairment allowance is calculated using collection rate information. We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

NON-COLLECTION OF RECEIVABLES

Significant estimate – Expected losses on receivables

Impairment allowance £103.6 million

Housing rent arrears

The Council has recognised an allowance for non-collection of housing rents arrears of £9.8 million on total debt of £12.6 million. This has increased by £0.1 million from the prior year.

The Council fully provide for former tenant arrears as it is unlikely the amounts will be recovered as the tenants are no longer occupying HRA property and there whereabouts is unknown. Current tenant arrears older than six years are fully provided for and then at 90% (3-6 years), 70% (2-3 years), 50% (1-2 years), 30% (7-12 months), 20% 94-6 months) and 10% (1-3 months). These estimates are based on CIPFA guidance issued a number of years ago.

Management has carried out a high level of review of the provision over the past five years by calculating the provision made as a percentage of the arrears to determine if the debt profile remained consistent in order to validate the estimates used. Whilst this shows that the provision has been consistent over the past five years it does not fully show whether the provision profile against aged debt is consistent with current collection rates.

We requested further evidence to support current collection rates but management were only able to provide information on debts received in 2019/20 against current and former tenants. This shows that payments is still being received for some former tenants that are currently fully provided for and therefore the impairment allowance may be overstated by a small amount.

We would recommend that a detailed analysis of collection rates over previous years, split based on aged profile is carried out to provide a better estimate of the provision.

Overall, we consider that management's estimate for potential impairment losses on debt and receivables is reasonable except for sundry debt where the impairment allowance in likely to be understated. Management has agreed to increase the impairment allowance by £3 million to reflect recent collection rates.

Other than for housing benefits overpayments, management has not undertaken a review for expected credit losses where there is an expectation that historic collection rates may not reflect future expected credit losses due to Covid. However, we are satisfied that this is unlikely to significantly change total expected credit losses since a large part of the debt and arrears is already provided for.

GOING CONCERN

Current conditions and interruption of normal cash flows may result in a local authority having insufficient cash to meet liabilities as the fall due.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Risk description

It is management's responsibility to make an assessment of an entity's ability to continue as a going concern and provide appropriate disclosures relating to how that assessment was performed and its results. The assessment of going concern under the effects of the coronavirus outbreak will need to incorporate unprecedented shocks to forecasts. The increased demand on services, decline in income from services, deferrals of normal payment terms or impairment of debt, decreases in asset values and supply chain disruptions may be dissimilar to any previously encountered 'real world' scenario, making forecasting the precise results difficult.

The effects of the coronavirus are likely to affect the level of uncertainty that may exist in an assertion that the entity will be able to continue as a going concern. Regardless of the result of management's assessment, many entities will need to disclose key judgments and estimates it used to arrive at this conclusion. Key areas in a going concern assessment may include: sources of assumed liquidity and cash flows, forecasts of future revenue or additional expenditure, and support from government. If a material uncertainty does exist, this should be disclosed in terms that are specific to the Council as users of the financial statements will wish to know how and when the uncertainty might crystallise and its effects. This will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).

Work performed

We have reviewed management's assessment and disclosures in respect of going concern, including sensitivities of the assumptions and impact on cash flows and available reserves.

Results

We have reviewed cash flow forecasts prepared by management and reasonable consideration has been made when incorporating key assumptions and in particular relating to Covid impact.

The income loss assumptions appear reasonable and will be covered by the Government support scheme. From our understanding of the scheme (covers only budgeted and non-commercial / trading activities, at 75p in the £1 losses starting at £5 million initial absorbed loss) there are no income commercial losses as the Council has not developed commercial / trading activities.

The overspend assumption for 2020/21 and through 2021/22 appear sensible and probably pessimistic since they are based on 2020 Q2 outturn with little additional support grant included in the budget in 2021/22.

Council tax forecast income loss at 1% (after an increase of 4.99% to billing Band D rate) is not unreasonable. Total council tax precept in 2019/20 was £102 million so an extreme 10% hit to collections would only result in £10 million additional losses / cash to absorb.

GOING CONCERN

Current conditions and interruption of normal cash flows may result in a local authority having insufficient cash to meet liabilities as the fall due.

Results (continued)

Overall, the Council has sufficient cash to cover its planned budgets and overspends in the next couple of years. Even under extreme downside risks these cash balances will be adequate. The capital programme is mainly funded from additional PWLB borrowing with some use of capital receipts reserves / unapplied capita grants, and there is headroom in the capital finance requirement to replace internal borrowing with PWLB capital loans.

Available General Fund and HRA balances should be covered by cash balances and balances remain healthy.

Conclusion

We are satisfied that the management's assessment and disclosures in respect of going concern are reasonable and concur with management that no material uncertainty exits regarding going concern.

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Significant risk	
Normal risk	■
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error (disclosure)	■
Additional disclosure required	
Significant control findings to be reported	■
Letter of representation point	

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Corporate Committee.

There is a risk that related party disclosures are not complete or accurate.

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and reviewed members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Carried out Companies House and Charity Commission searches for potential undisclosed interests.

Results

In our Companies House searches, we have identified four individual (two councillors and two Senior Officers - Executive) who held additional directorships which had not been disclosed in their declarations and register of interest.

For three of the undisclosed directorships, it was confirmed that there had been no transactions between the Council and the organisation.

However, for one of the undisclosed directorship (Haringey Education Partnership) the entity had received £449,720 funding from the Council in 2019/20 that should have been disclosed.

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Results (continued)

We noted that the historic debt total for Homes for Haringey Limited and Alexandra Park and Palace Charitable Trust Limited had not been updated and should be disclosed as total debt of £47.1 million.

It is also noted that the figure disclosed for Haringey CAB was not included as part of the charitable and voluntary organisation disclosure. The revised total value of payments made including Haringey CAB and Haringey Education Partnership is £3m instead of the incorrect figure of £1.7m. This disclosure also did not include amounts relating to payables of £141,700 and receivables of £40,600.

Management has agreed that the above errors will be corrected in the final version of the financial statements.

Conclusion

Following the corrections of the errors noted above, we are satisfied that related party transactions disclosures are complete and accurate.

We have reported a control weakness regarding the failure to disclose all directorships in the register of interests.

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Audit area	Description of findings
Depreciation charge on vehicles, plants and equipment	Our audit testing identified that the in-year depreciation charge on vehicles, plants and equipment was lower than our expectation based on the accounting policy which states that the useful lives are between three and seven year. Management found that the calculations was not being done correctly is due to an error in the way that the information has been inputted into the fixed asset register. Our review identified that there is a £1.1 million understatement of the accumulated depreciation figure of which £0.4 million relates to 2019/20 and £0.7 million relates to prior years. In addition, the review has also found that the depreciation start date for one asset was incorrect. This has resulted in a further understatement of £0.7 million. Management has confirmed that the £0.7m depreciation for the specific asset will be adjusted (Adjusted Ref#6) but will not adjust for the other £1.1 million as they are working with the Asset Manager support team to resolve this issue first on the fixed asset register system (Unadjusted Ref#5).
Termination benefit disclosure	An exit package with a value of £69,033 has been incorrectly included in the band £80,001 - £100,000 but should have been included in the £60,001 - £80,000 band. Management has confirmed that this disclosure will be corrected in the final version of the financial statements.
Enhancement to existing asset write off	Our audit testing has identified that £0.7 million enhancement costs that have not added value to the dwellings has not been written out and has resulted in an overstatement of Property, Plant and Equipment and an understatement of capital expenditure. Management has confirmed that they will not adjust this (Unadjusted Ref#6).

OTHER MATTERS

Audit area	Description of findings
Thames Water commission case	In October 2020 the London Borough of Kingston lost an appeal in respect of the original judgement that found the Council to be a 'reseller' of water and the majority of commission received from Thames Water should have been passed on to tenants and the 'voids' allowance should not have been included in the charges to tenants. This judgement is also consistent with that made against the London Borough of Southwark in 2016. Like many other councils, London Borough of Haringey has operated a similar scheme for a number of years and this latest judgement states that tenants will be able to reclaim excess charges from the Council. Management has estimated that £5.3 million would be a reasonable estimate of the provision required should tenants reclaim excess charges backdated for up to 6 years. This was included as a contingent liability disclosure but should be charged to expenditure (and provisions). This has been updated by management (Adjusted Ref#7). We are aware that London local authorities are discussing potential remedy schemes that may differ from the present management assumption. Therefore, we have sought the above specific representations from management.
PFI disclosure and liability	Our audit testing found that the PFI school assets included in Property, Plant and Equipment includes the whole value of the school (including land) rather than just that funded through PFI. In order to isolate and re-calculate the value of the PFI element of the schools the proportion of the PFI construction stated in the 2000 PFI agreements were used and applied to the cost and depreciation elements of the PFI disclosure. This results in the PFI net book value (NBV) as at 31 March 2020 reducing from £188.7 million to £13.5 million. This was also an error in the prior year disclosure therefore there should be a prior year adjustment to the 31 March 2019 reducing the PFI net book value from £171.9 million to £12.6 million. It was also noted that the addition of £0.8 million as at 31 March 2020 and £1.1 million as at 31 March 2019 included in the PFI asset disclosure was incorrect as no additional PFI works have commenced on these schools since 2008. It should be noted that this is a change to the disclosure and does not impact the overall Property, Plant and Equipment valuation. In addition, Note 13 PFI fair value disclosure was found to be overstated by one year for 2019/20. The error has resulted in a disclosure overstatement of £3.5 million. Management has confirmed that both of these disclosure errors will be corrected in the final version of the financial statements.

OTHER MATTERS

Audit area	Description of findings
Cash Flow Statement	Our review of the cash flow statement noted that loan to subsidiary has been incorrectly included in operating cash flow. In addition, the note to the cash flow is only provided for the single entity. As there is a £10 million difference between single entity cash flow and group cash flow, the disclosure should include additional notes on the group cash flow. Our testing has identified that cash flow arising from the purchase and sale of investments has been incorrectly included in purchases and sale of Property, Plant and Equipment, Investment property and Intangible assets. Management has confirmed that these errors will be corrected in the final version of the financial statements.
Operating leases disclosure	Our audit testing found that future minimum lease payments (MLP), totalling £21 million in respect of a non-cancellable term included in the lease agreement with Tesco had been erroneously excluded from operating leases disclosure. Our testing also identified 356 leases relating to properties that the Council leases out that have not been taken into consideration when calculating future MLP receivable under non-cancellable leases where the Council is a lessor under operating leases. We tested a sample of 16 of these leases to determine if there was a non-cancellable period included in the lease agreement that should have been disclosed in operating leases note. We found that 11 leases had fixed lease terms and the future MLP for the whole period of the lease should have been disclosed, two leases where the non-cancellable period was one year, three leases where the non-cancellable periods were either three, six or 10 years and hence the future MLP should have been included in the disclosure. Given the varying nature of the lease terms and non-cancellable periods included in this sample and the likely material impact there would be on this disclosure if the remaining leases were not considered we asked management to carry out further work on the remaining population of the 482 leases in order to determine the additional future minimum lease payments that should be included in this disclosure. Management provided these working on 25 February 2021 and we are currently reviewing these workings and the impact on the disclosure.

OTHER MATTERS

Audit area	Description of findings
Dedicated School Grant (DSG) Reserve	The Council has a negative DSG Reserve that is included (and offset) within earmarked reserves at 31 March 2020. It should be noted that the Council will are no longer be allowed to fund this from the General Fund and the negative reserve will need to be in an unusable reserve from 2020/21 onward.
Group Reserve	Our audit testing has identified that the unrestricted reserves of Alexandra Park and Palace Charitable Trust Limited of £3.0 million has been incorrectly included in group unusable reserve upon consolidation. The unrestricted reserve should form part of the group unable reserve. Management has confirmed that this will be corrected in the final version of the financial statements (Adjusted Ref#9).
Minimum Revenue Provision	Our audit testing found that the list of assets used to support the calculation of the minimum revenue provision (MRP) could not be easily reconciled back to the fixed asset register in order to confirm if the useful economic lives and capital expenditure used in the calculation of the MRP was appropriate. Further investigation identified only trivial differences in total. We recommend that management reconcile the list of assets funded from borrowing (and the Capital Financing Requirement) used to calculate MRP to the fixed asset register and this should be provided as part of the audit working papers.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

Whilst the Chief Finance Officer and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.

Our audit procedures did not identify any fraud.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

We are required to bring to your attention unadjusted differences and we request that you correct them

There are ten audit differences identified by our audit work that have not been corrected by management as these are not material.

These adjustments would decrease the Council and Group's deficit on the provision of services for the year by £0.141 million (Council deficit decreased to £6.247 million and Group deficit decreased to £17.921 million).

Net assets would increase by £1.923 million for both the Council and Group.

These errors would decrease the General Fund or HRA balances by £0.859 million.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Unadjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Deficit provision of services / net assets before adjusted audit differences	**6,388**			**1,600,656**		**18,062**			**1,664,237**	
1: Incorrect rents and lease terms for investment properties valued on income / yields approach										
Dr Investment properties (projected error)				2,100					2,100	
Cr CIES financing and investment inc and exp	**(2,100)**		(2,100)			**(2,100)**		(2,100)		
Dr Surplus assets (projected error)				300					300	
Cr Revaluation Reserve*					(300)					(300)
2: Incorrect building size used for DRC valuations (non-school assets)										
Dr Other land and buildings (factual error)				378					378	
Cr Other land and buildings (projected error)					(1,400)					(1,400)
Dr Revaluation reserve*				1,022					1,022	
3: Incorrect building size used for DRC valuations (schools)										
Dr Other land and buildings (factual error)				100					100	
Dr Other land and buildings (projected error)				3,100					3,100	
Cr Revaluation reserve*					(3,200)					(3,200)
4: Incorrect BCIS rebuild cost used for DRC valuations (schools)										
Dr Other land and buildings (factual error)				332					332	
Cr Revaluation reserve*					(332)					(332)

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Unadjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
5: Adjustment for incorrect accumulated depreciation										
Dr CIES depreciation costs (NCOS)	**400**	400				**400**	1,100			
Dr Opening Capital Adjustment Account*					700					700
Cr PPE asset value					(1,100)					(1,100)
6: Write-off of council dwellings enhancement addition costs										
Dr Capital adjustment account	**700**	700				**700**	700			
Cr Council dwellings additions					(700)					(700)
7: Valuation write down community assets										
Dr PPE (community assets)				328					328	
Cr PPE (Other land and buildings)*					(328)					(328)
8: Write off cash book suspense balances										
Dr Cash and bank				671					671	
Cr CIES income (NOCS)	**(671)**		(671)			**(671)**		(671)		

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Unadjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
9: Adjustment of Housing benefit overpayment bad debt provision										
Dr Housing benefits overpayments (debtors)				1,470					1,470	
Cr CIES financing and investment inc and exp	**(1,470)**		(1,470)			**(1,470)**		(1,470)		
10: Adjustment of sundry bad debt provision										
Dr CIES financing and investment inc and exp	**3,000**	3,000				**3,000**	3,000			
Cr Sundry debts (debtors)					(3,000)					(3,000)
11: TBC										
Dr										
Cr										
Total unadjusted audit differences	**(141)**			1,923		**(141)**			1,923	
Deficit provision of services / net assets if adjusted	**6,247**			**1,602,579**		**17,921**			**1,666,160**	
Items marked * above are reserve adjustments				(1,782)					(1,782)	

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Impact on the General Fund and HRA balances	General Fund balance £'000	HRA balance £'000
Balance before unadjusted audit differences	**89,368**	**10,282**
Impact on deficit on the provision of services above	141	0
Adjustments that would be reversed from the General Fund and through the Movement in Reserves Statement	(1,000)	0
Net impact	(859)	0
Balances after the above adjustments	**88,509**	**10,282**

UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

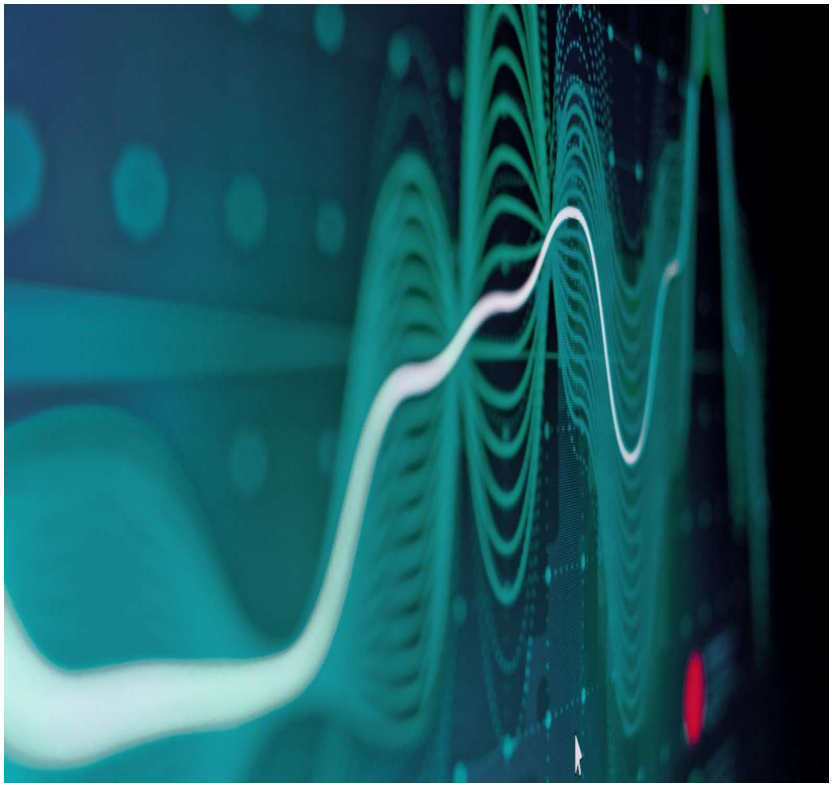
We are required to bring to your attention other financial reporting matters that the Corporate Committee is required to consider

The following unadjusted disclosure matters were noted:

- The local tax debtor disclosure in note 15a does not meet the requirements of 5.2.4.2 (3) of the CIPFA code. It should show an age analysis of those past due but not impaired. Then separately disclose the amount of impairment recognised. Currently the note only discloses aged analysis of the whole debtor balance and then takes the impairment allowance off it.
- The cash flow statement disclosures shown in notes 21 and 22 do not show a reconciliation of liabilities arising from financing activities in accordance with para 3.4.2.83 (2) of the CIPFA Code.
- Judgements in relation to the consolidation of Homes for Haringey and Alexandra Palace should be clearly stated in note 2.
- Valuation of properties is a significant estimate but details of the actual specifics relating to the estimate such as key assumptions and details of sensitivity have not been disclosed in note 3.
- Note 12 states that 'valuation techniques' in respect of investment properties have been used but details of these techniques are and key assumption made have not been disclosed but are required by para 2.10.4.1 (3d) of the Code.
- There is no longer a requirement to disaggregate the debtors and creditors disclosures but body type instead the groupings as set out in IAS 1 should be used.
- Our testing has identified that benefits paid disclosed in both the reconciliation of scheme assets and liabilities in note 35 is overstated by £5.6 million. This does not impact the net pension liability disclosed in the balance sheet. This will remain uncorrected in the final version of the financial statements.

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



There were nine audit differences identified by our audit work that were adjusted by management.

These adjustments reduced the Council's draft deficit on the provision of services by £0.4 million (from £6.788 million to £6.388 million) and increased net assets by £7.4 million.

The Group draft deficit on the provision of services increased by £5.9 million (from £12.162 million to £18.062 million) and increased net assets by £1.1 million.

There was no impact on the Council's General Fund balance as a result of these adjustments but the HRA balance decreased by £5.300 million (to £10.282 million) as a result of these adjustments.

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Adjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Deficit provision of services / net assets before adjusted audit differences	**6,788**			**1,593,256**		**12,162**			**1,663,137**	
1: Incorrect rents and lease terms for investment properties valued on income / yields approach										
Dr Investment properties				1,900					1,900	
Cr CIES financing and investment inc and exp	**(1,900)**		(1,900)			**(1,900)**		(1,900)		**(1,900)**
2: Incorrect building size used for DRC valuations (non-school assets)										
Dr Revaluation reserve*				4,400					4,400	
Cr PPE (Other land and buildings)					(4,400)					(4,400)
3: Incorrect building size used for DRC valuations (schools)										
Dr PPE (Other land and buildings)				18,100					18,100	
Cr Revaluation reserve*					(12,500)					(12,500)
Dr CIES PPE impairment costs (NCOS)	**(5,600)**		(5,600)			**(5,600)**		(5,600)		
4: Adjustment to recognise stamp duty acquisition costs										
Dr Revaluation reserve *				1,100					1,100	
Dr CIES PPE impairment costs (NCOS)	**1,100**	1,100				**1,100**	1,100			
Cr Creditor accruals					(2,200)					(2,200)
5. Adjustment for Alexandra House valuation										
Dr CIES impairment costs (NCOS)						**6,300**	6,300			
Cr PPE (other land and buildings)										(6,300)

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Adjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
6: Adjustment for incorrect accumulated depreciation										
Dr CIES depreciation costs (NCOS)	**700**	700				**700**	700			
Cr PPE (other land and buildings)					(700)					(700)
7: Adjustment to recognition Thames Water commission case provision										
Dr CIES housing costs (NCOS)	**5,300**	5,300				**5,300**	5,300			
Cr Provisions					(5,300)					(5,300)
8: Misclassified assets under construction										
Dr PPE (assets under construction)				8,350					8,350	
Cr PP (Council dwellings)					(8,350)					(8,350)
9: Misclassified group reserve balances										
Dr Usable reserves									3,000	
Cr Usable reserves										(3,000)
Total adjusted audit differences	**(400**			7,400		**5,900**			1,100	
Adjusted deficit provision of services / net assets	**6,388**			**1,600,656**		**18,062**			**1,664,237**	
Items marked * above are reserve adjustments				(7,000)					(7,000)	

ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

Impact on the General Fund and HRA balances	General Fund balance £'000	HRA balance £'000
Balance before adjusted audit differences	**89,368**	**15,582**
Impact on deficit on the provision of services above	5,700	(5,300)
Adjustments that would be reversed from the General Fund and through the Movement in Reserves Statement	(5,700)	-
Net impact	-	(5,300)
Balances after the above adjustments	**89,368**	**10,282**

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Corporate Committee is required to consider

The following adjusted disclosure matters were noted:

- McCloud pension remedy impact of £6 million disclosed as a contingent liability has been removed as this is now incorporated in the actuary IAS pension liability disclosed in the balance sheet.
- Related party transactions amounting to £449,720 in respect of Haringey Education Partnership has now been disclosed.
- Total debt in respect of Homes for Haringey and Alexandra Park and Palace Charitable Trust Limited amounting to £47.1 million has now been correctly disclosed in the related party transaction disclosure.
- The related party transaction for Haringey CAB was not included as part of the charitable and voluntary organisation disclosure and the total value of these transactions had been incorrectly disclosed as £1.7 million but should have been £3m. This disclosure also did not include amounts relating to payables of £141,700 and receivables of £40,600.
- An exit package with a value of £69,033 has been incorrectly included in the band £80,001 - £100,000 but should have been included in the £60,001 - £80,000 band.
- The Thames Water commission case disclosed as a contingent liability has now been removed as it has been recognised as a provision.
- Note 13 PFI fair value disclosure was found to be overstated by one year for 2019/20. The error has resulted in a disclosure overstatement of £3.5m.
- Our audit testing has identified that the unrestricted reserve of Alexandra Park and Palace Charitable Trust Limited has been incorrectly included in group unusable reserve upon consolidation. The unrestricted reserve should form part of the group unable reserve.
- Our review of the cash flow statement noted that loan to subsidiary has been incorrectly included in operating cash flow. In addition, the note to the cash flow is only provided for the single entity. As there is a £10m difference between single entity cash flow and group cash flow, the disclosure should include additional notes on the group cash flow. Our testing also identified that cash flow arising from the purchase and sale of investments has been incorrectly included in purchases and sale of PPE, investment property and intangible assets.
- Additional disclosures are required in order to clearly describe the types of assets that fall within the valuers material uncertainty. We will refer to these disclosures as an emphasis of matter in our audit report as the matter is of such importance that it is fundamental to users' understanding of the financial statements (albeit our opinion is not qualified).
- Our audit testing found that the PFI school asset values disclosure in property, plant and equipment (PPE) note 11 includes the whole value of the school (including land) rather than just that funded through PFI. In order to re-calculate the value of the PFI element of the schools the proportion of the of the PFI construction stated in the 2000 PFI agreements were used and applied to the cost and depreciation elements of the PFI disclosure. This results in the PFI net book value (NBV) as at 31 March 2020 reducing from £188.7 million to £13.5 million. This was also an error in the prior year disclosure therefore there should be a prior year adjustment to the 31 March 2019 reducing the PFI NBV from £171.9 million to £12.6 million. It was also noted that the addition of £0.8 million as at 31 March 2020 and £1.1 million as at 31 March 2019 included in the PFI asset disclosure was incorrect as no additional PFI works have commenced on these schools since 2008. It should be noted that the change to this disclosure does not impact the overall NBV of PPE as it is just a disclosure issue.

Management has confirmed that the disclosures will be amended in the revised version of the financial statements to correct all of these issues.

REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We noted that the 'revenue spending in 2019/20' outturn does not appear to be consistent with the Expenditure Funding Analysis (EFA) for expenditure before accounting adjustments. This chart should be consistent with the EFA since the EFA is the 'segmental reporting' analysis for management accounts outturn. We also noted that the impacts of COVID-19 were out-of-date and should be updated to reflect the current position. Management has confirmed that the narrative report will be amended to take account of these issues in the final version of the financial statements. With the exception of the issues noted above, we are satisfied that other information in the Narrative Report is consistent with the financial statements and our knowledge.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

Matter	Comment
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements.

OVERVIEW

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	No

SUSTAINABLE FINANCES

The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Risk description

As at the end of quarter 2, the Council was forecasting a full year deficit of £9.98 million for 2019/20. This mainly relates to overspends in Dedicated Schools Grants (DSG) of £5.1 million. The new DSG regulations allow for recovery plans to be put in place with the Department for Education so that councils are not required to fund DSG deficits from general reserves.

The other main overspend relates to Adult Social Care amounting to £3.8 million as a result of increased demand in the service, however savings built into the service as part of the MTFS are on track for 2019/20.

In February 2020, the Council updated its Medium Term Financial Strategy (MTFS) covering the period 2020 to 2025. Since the Local Government Finance Settlement was published on 20 December 2019, the 2020/21 budget now assumes a 1.99% increase to Council Tax, an additional 2% Audit Social Care precept and grant funding for other key funding streams such as grants to help homelessness. This additional funding as well as some corporate adjustments mean that the Council has set a balanced budget for 2020/21. The additional funding has been assumed for future years as part of the MTFS but it is recognised that funding requirements could change and negatively impact on the MTFS. The Council has identified savings plans over the medium term but there is currently a £15.5 million funding gap, cumulative to 2025. The savings targets are significant and the achievement of these is inherently challenging.

There is a significant risk that any shortfall in the delivery of savings, non realisation of assumed government funding and failure to reduce the current funding gaps will have a negative impact on future projected targets in the MTFS.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assessed the reasonableness of the cost pressures, the level of Government grant reductions applied and income generation proposals;
- Monitored the delivery of the budgeted savings in 2019/20 and the plans to reduce costs from 2020/21; and
- Reviewed the strategies and transformation programmes to close any budget gap after 2020/21.

Results

As at 31 March 2020, the overall General Fund revenue outturn variance was in line with the forecast outturn deficit of £5.5 million. The two People Directorates have continued to face challenges living within their agreed budgets for 2019/20 albeit at a much reduced level to the previous year. The Adults service forecast outturn position remained largely stable throughout the year, with the single largest issue the cost of on-going demand in care packages which was not able to be fully addressed when the 2019/20 budgets were set.

SUSTAINABLE FINANCES

The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Results (continued)

The majority of this (pre Covid position) has been addressed as part of the 2020/21 budget build. The Children's service budget has been adversely impacted over the last part of the year by unexpected high cost placements and increased costs in SEND transport. The stronger delivery of agreed MTFS savings during 2019/20 has left the budget resilience reserve available to offset the service overspends.

In addition, there was lower than planned spend on capital financing and underspend against the North London Waste Authority (NLWA) levy and some contributions from a review of balances. Overall, the General Fund closed with a small overspend of £0.032 million, and enabled the Council's general reserve to be maintained as planned, at the opening balance of £15.8 million.

The earmarked reserve element of the general fund includes £8.1 million that was received in March 2020 for the first tranche of COVID-19 grant funding that will be utilised in 2020/21. Had this not been received the general fund reserves would have significantly reduced as there was a further £8 million overspend against the dedicated schools grant (DSG). This overspend increases the DSG deficit to £10.3 million which is currently being funded from the general fund. It should be noted that the School and Early Years Finance (England) Regulations 2020 is new legislation that became effective from 1 April 2020 and this legislation does not allow DSG deficits to be funded from general fund reserves unless approval is granted through the Secretary of State.

From 2020/21, local authorities will now be required to ring-fence these deficits in a separate reserve and to liaise with the department of education to devise and agree robust recovery plans to bring this reserve back into financial balance (recovery plans could span a number of years).

In February 2020 the MTFS 2020 – 2025 was approved by Cabinet. This showed a balanced budget set for 2021/22 but a £1.95 million funding gap from 2021/22 increasing to £15.56 million in 2024/25. The MFTS has taken into account a proposed council tax increase of 1.99% and 2% increase in the adult social care precept, as well increases for London living wage and reductions to retained business rates from 2020/21 given the London pilot scheme coming to an end.

The base budget from 2020/21 also includes increased funding for budget priorities such as adult and children's social care. Grant funding assumed in the MTFS is line with the Government announcements made in December 2019. The assumptions over cost pressures, Government funding and income growth appear reasonable in the MTFS. The Council has identified £14.5 million savings to be delivered in 2020/21 in order to balance the budget, this is £5 million lower than savings required in 2019/20 and does not rely on drawdown of reserves (albeit the budget resilience reserve of £7 million is available if required). Even though there has been an improved realisation of savings by the Council over the last couple of years there is pressure in achieving savings set out in the MTFS especially as demand-led services such as adult and children's social care continue to overspend therefore there needs to be continued close focus placed on ensuring delivery is achieved as planned.

SUSTAINABLE FINANCES

The Council will need to deliver it savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Results (continued)

Since developing this MTFS the COVID-19 pandemic has had a significant financial impact on the Council and local public services as a whole. Although the impact of this is outside the 2019/20 year on which we give our opinion on the arrangement in place it does provide some insight into the robustness of assumptions used in the 2020-2025 MFTS and in particular the 2020/21 budget.

As at Quarter 2 the forecast impact of COVID-19 has reduced by almost £6 million and, since Quarter 1, the Council has received a fourth tranche of un-ringfenced emergency grant funding totalling £8.4 million. When added to the previous grant and forecast government income loss compensation the unfunded forecast COVID-19 impact is reduced to around £4 million which the Council still expects to be met via further government support.

The non-COVID19 base budget pressure has increased to almost £6 million since Quarter 1. The current assumption is that the Council will identify measures to mitigate this as far as possible before the end of the year with any residual pressure to be met from utilisation of the budget contingency. Although there are financial challenges and pressures placed on the budget in respect of COVID-19 and knock-on effects on non-COVID-19 base budgets the Council is in a position to mitigate any residual risks through use of reserves.

The Council needs to continue to monitor the control of demand-led services, the delivery of the savings necessary to meet the MTFS and the impact of changes being implemented on the delivery of services, particularly in light of significant financial pressures which will be placed on the Council as a result of the COVID-19 pandemic, to ensure that there are no unanticipated detrimental outcomes. While there is a recognised funding gap in the MTFS, we are satisfied that the Council has appropriate arrangements to continue to remain financially sustainable over the period of the MTFS.

Conclusion

The Council has adequate arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities.

SIGNIFICANT DEFICIENCIES

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Corporate Committee.

As the purpose of the audit is for us to express an opinion on the Council's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Property, plant and equipment and investment property valuations	Our testing identified a significant number of valuations where the inputs into those valuations, such as gross internal floor area and rent amounts were incorrect and which impacted the valuation of those assets. Similar issues were identified in the prior year.	We recommend that management ensures that the valuer is using the correct valuation inputs before the valuer undertakes its annual valuation exercise.	Recommendation is noted and will be implemented.
Impairment of non-collection of receivables	We noted that allowance rates used to calculate sundry debts, HRA housing rents and housing benefit overpayment provisions had not been revised for a number of years.	Whilst further work was carried out (by management and audit), to show that these estimates were reasonable based on recent collection rates we recommend that management use data on collection rates to inform estimates going forward and make these available to audit to support provisions disclosed in the financial statements. Management will also need to consider whether historic collection rates are still the best estimate given the difficult economic climate some of its debtors may be facing as well as carrying out more detailed expected credit loss analyses for sundry debts in order to comply with the requirements of re-measuring financial assets under IFRS 9.	We will be reviewing the receivables and the basis of estimates in the light of the current economic climate.

SIGNIFICANT DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Bank reconciliation	Our audit work has identified that there are continues to be old unreconciled items on the bank general ledger, with the oldest item dated back to 2013. However, when compared to prior year, we can see there was a significant decline of the number and value of large and old items. Our work has also identified unmatched amount of £66,212 in current year which has decreased from prior year unmatched amount of £736,541. As the figures are below triviality, we have not reported this as an error. Similar issues were identified in the prior year.	Although our work has shown that the internal control has been improved in current year, it continues to indicate that reconciling items on the bank are not cleared in a timely manner. A complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences. The cash balance could be materially misstated if reconciling items are not simply timing difference and unmatched suspense items.	These are historic items, and we will continue to reconcile and clear these items.

OTHER DEFICIENCIES

We also bring to your attention other deficiencies noted during the audit.

Area	Observation & implication	Recommendation	Management response
Related party transactions	In our Companies House searches, we identified four individual (two councillors and two Senior Officers - Executive) who held additional directorships which had not been disclosed in their declarations and register of interest. Incomplete declarations may lead to management not identifying related party transactions during the accounts preparation process, and may also influence financial decisions during the year if a related party is not included on a register of interest.	The importance of completed declarations should be reinforced to all members, through training if necessary. These declarations should then be reviewed when returned to ensure all information is complete before they are then subject to our review and consideration.	We will continue to obtain declarations and give it corporate prominence.
Minimum revenue provision	Our audit testing found that the register of assets used to support the calculation of the minimum revenue provision (MRP) could not be easily reconciled back to the fixed asset register in order to confirm if the useful economic lives and capital expenditure used in the calculation of the MRP was appropriate. As a result of this ourselves and management have had to carry out significant amounts of further work to gain assurance over the data used.	Whilst we only identified trivial issues after the completion of this work we recommend that sufficient and appropriate audit evidence to support the MRP calculation is provided as part of the suite of audit working papers before the start of the audit going forward so that audit effort can be focussed in areas of the financial statements that have a greater impact.	Recommendation is noted.
Unadjusted disclosures	We have identified a number of disclosure deficiencies on page 48.	We recommend that management improve the disclosures in the financial statements and make the necessary adjustments to disclosures.	Agreed disclosures will be included in the financial statement.

OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Efficiency savings and sustainable finances	The two People Directorates (Adults and Children's) have continued to face challenges living within their agreed budgets for 2019/20 albeit at a much reduced level to the previous year. The majority of this (pre Covid position) has been addressed as part of the 2020/21 budget build. In February 2020 the MTFS 2020 – 2025 was approved by Cabinet. This showed a balanced budget set for 2021/22 but a £1.95 million funding gap from 2021/22 increasing to £15.56 million in 2024/25. Since developing this MTFS the COVID-19 pandemic has had a significant financial impact on the Council and local public services as a whole. As at Quarter 2 (September 2020) the forecast impact of COVID-19 has reduced by almost £6 million and, since Quarter 1 (June 2020), the Council has received a fourth tranche of un-ringfenced emergency grant funding totalling £8.4 million. When added to the previous grant and forecast government income loss compensation the unfunded forecast COVID-19 impact is reduced to around £4 million which the Council still expects to be met via further government support. The non-COVID19 base budget pressure has increased to almost £6 million since Quarter 1. The current assumption is that the Council will identify measures to mitigate this as far as possible before the end of 2020/21 with any residual pressure to be met from utilisation of the budget contingency.	The Council needs to continue to monitor the control of demand-led services, the delivery of the savings necessary to meet the MTFS and the impact of changes being implemented on the delivery of services, particularly in light of significant financial pressures which will be placed on the Council as a result of the COVID-19 pandemic, to ensure that there are no unanticipated detrimental outcomes.	Recommendation is noted.

OVERVIEW

Opinion on financial statements

Subject the matters outstanding on page 71, we anticipate issuing an unmodified opinion on the financial statements.

We wish to draw attention to the 'emphasis of matter' that we will be including in our audit report in respect of the material uncertainly in relation to PPE and Investment Property valuations.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Council's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Corporate Committee in advance in accordance with the Group's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

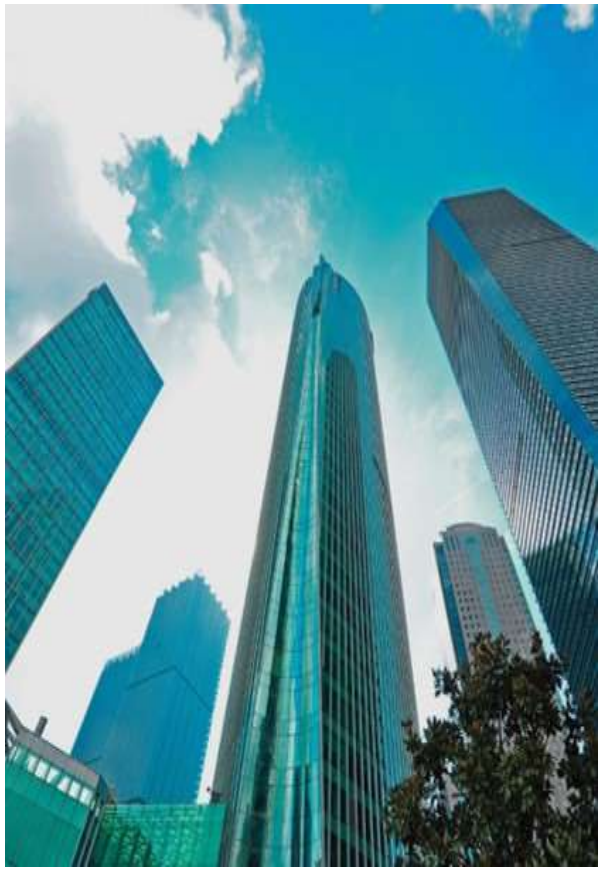
We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Fees summary	2019/20 Actual £	2019/20 Planned £	2018/19 Actual £
Audit fee			
Code audit fee: financial statements and use of resources	TBC	158,986	158,986
Additional audit fee	TBC	[1] 30,000	48,000
Non-audit assurance services			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	Work in progress	46,223	46,223
• Pooling of housing capital receipts return	Work in progress	3,500	3,500
• Teachers' pensions return	Work in progress	3,500	3,500
Total fees	**TBC**	**242,209**	**260,209**



[1] In our audit planning report fee we proposed a fee variation of £30,000 to the PSAA scale fee for 2019/20 to be discussed with the Council's Finance staff and the Corporate Committee. This reflects the additional audit work required in response to issues encountered in recent years and significantly greater pressure on auditors to deliver higher quality audits and to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts.

We will also assess the additional work required in respect of the non current asset acquisitions significant risk and additional work to conclude on adjusted and unadjusted audit differences identified this year. If necessary, we will propose and discuss additional fee with management in respect of this work at that point.

APPENDICES CONTENTS

OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidation Group and Council financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Council has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Corporate Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

	Issue	Comments
1	Significant difficulties encountered during the audit.	The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are working from home and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent by both sides in relation to the audit.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION WITH YOU

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Corporate Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	March 2020	Corporate Committee
Updated Audit Planning Report	July 2020	Corporate Committee
Audit completion report	March 2021	Corporate Committee
Annual Audit Letter	TBC 2021	Corporate Committee

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2020.

The following key matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Corporate Committee meeting at which this report is considered:

- We are currently working through responses from the valuer in respect of the outliers identified in the PPE valuation movements and the errors identified in order to assess whether any of those are errors in the prior year valuation.
- Management provided revised workings to support additional work that was undertaken in respect of operating leases on 4 March 2021 and we are currently reviewing these workings and the impact on the disclosure.
- Checking of the amended financial statement
- Manager, Partner and Quality Control review, and clearance of review points.
- Technical clearance.
- Subsequent events review.
- Final review and approval by you of the Statement of Accounts.
- Management letter of representation to be approved and signed.

AUDIT REPORT

To be drafted and agreed once outstanding testing has been completed.

LATEST REGULATORY DEVELOPMENTS

Future of Audit, Regulation and Market Competition

A number of corporate governance, financial reporting and audit failures since the 'financial crises' have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

Initiative	Timeline 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Status
BEIS Select Committee	'Carillion' report issued 5/2018	'Future of audit' report issued 24/4/2019	Government response issued 7/6/2019			It is a priority area for the Committee which has a watching brief
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	Launch of Market study 9/10/2018	Responses to consultation 21/1/2019	Report and recommendations published 18/4/2019	First BEIS consultation on implementation ended 13/9/2019		Further consultations expected in 2020
'Report of the Independent Review in to the quality and Effectiveness of Audit' - Sir Donald Brydon		Team appointed to undertake review 2/2019	Consultation ended 7/6/2019		Brydon report issued 9/12/2019	Further consultations expected in 2020
'Independent Review of the FRC' by Sir John Kingman	Kingman Report published - 83 recommendations 18/12/2018	Secretary of State announces plans for a new regulator (ARGA) 11/3/2019	48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019			Further consultations expected in 2020

LATEST REGULATORY DEVELOPMENTS
Continued

Report	Topic	Key points
'Independent Review of the FRC' by Sir John Kingman	December 2018 - Future of regulation and the FRC – requested by the Secretary of State	• Highlighted deficiencies in FRC and its operating effectiveness • New regulator to replace FRC 'Audit, Reporting and Governance Authority' • Reconsideration of which entities are classed as 'public interest' A number of changes require legislation changes but the FRC is working on implementation where possible.
Related BEIS consultation	BEIS consultation - independent review of the FRC - March 2019 – Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019	The proposals being classed as: • FRC and BEIS will implement as soon as possible • Can be implemented once considered, in advance of legislation • Primary legislation required Further consultations are expected and will form part of the 2020 suite of consultations undertaken.
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	April 2019 - Future of market competition	Report 18 April 2019 – suggestions include • Increased accountability of audit committees including a focus on how they select auditors and their consideration of audit quality • Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews • An operational split between the audit and non audit practices of the big 4 • A 5 year review of progress by the new regulator Further consultations are expected and will form part of the 2020 suite of consultations undertaken.

LATEST REGULATORY DEVELOPMENTS
Continued

Report	Topic	Key points
BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April	Consideration of 2 reports - CMA and Kingman - to ensure they will lead to coherent framework	This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular: • Implement Kingman recommendations as soon as possible • Endorsement of CMAs suggestion to split firms operations between audit and non-audit • Segmented market cap and joint audits for FTSE 100 • Detecting fraud a priority • Tightening of dividend regime • Make audit more forward looking • Welcomes introduction of ARGA - deal with failures more quickly and more stringently Published June 2019.

LATEST REGULATORY DEVELOPMENTS

Brydon

In December 2019 Sir Donald Brydon published his "Report of the Independent Review in to the quality and Effectiveness of Audit" . This report proposes a fundamental changes to the audit profession, the scope of audit and how the Audit Committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting;
- Directors' Reporting;
- Role of Shareholders;
- Other stakeholders;
- Internal Controls;
- Fraud;
- Transparency;
- Technology;
- Auditor Liability;
- Audit and Risk Committees;
- KPIs and APMs (Alternative Performance Measures); and
- ARGA – the new regulator.

Key considerations for Audit Firms

- A new definition of audit: " The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements."
- Recognition of other stakeholders alongside the company's shareholders;
- Creation of a standalone audit profession as opposed to an extension of the accounting profession;
- Introduce the need for 'professional suspicion' alongside 'professional scepticism';
- Replace 'true and fair' with 'present fairly, in all material respects';
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information;
- Report specifically on the directors' statement in relation to fraud; and
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit.

Key considerations for Audit Committees are as follows

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks;
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report;
- Directors to present an annual statement on the actions they have taken to prevent fraud;
- CEO and CFO to provide an annual attestation to the board of directors as to the effectiveness of the company's internal controls over financial reporting;
- Directors be required to disclose when any material failure of their internal controls has taken place;
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit; and
- Publication by the directors of a risk report in advance of the audit with shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Audit Committee Chair and the auditor.

LATEST REGULATORY DEVELOPMENTS

Redmond

On 8 September 2020, Sir Tony Redmond published his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting*

The Report includes a number of key recommendations, including:

- The establishment of new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit, taking on certain responsibilities from Public Sector Audit Appointments (PSAA), Institute of Chartered Accountants in England and Wales (ICAEW), FRC/ARGA, and the Comptroller and Auditor General (C&AG)
- The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually
- The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- Quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.

FRC ETHICAL STANDARD

Issued in December 2019

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitionary provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
Extra-territorial impact	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
Non-audit services to a public interest entity (PIE)	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
Other entities of public interest ('OEPI')	OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an *SME listed entity* - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: – Have more than 2000 employees; and / or – Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

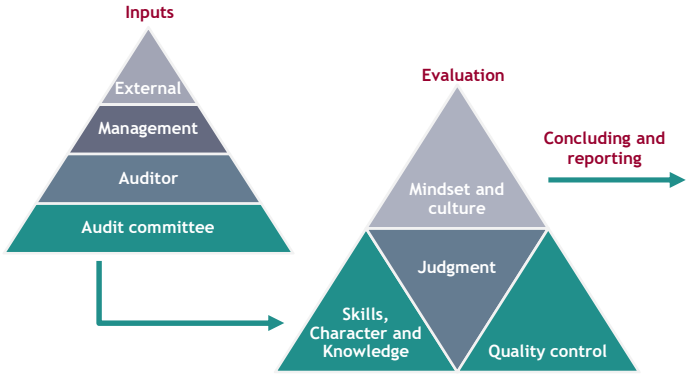
FRC PRACTICE AID FOR AUDIT COMMITTEES

The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the **FRC website**. In their practice aid the FRC note: 'The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.'

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the **FRC website**.

LETTER OF REPRESENTATION

[Client name and Letter headed paper]

BDO LLP
55 Baker Street
London
WIU 7EU

Dear Sirs

Financial statements of the London Borough of Haringey for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Group and the Council's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Director of Finance has fulfilled his responsibilities for the preparation and presentation of the Group and the Council's financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Thames Water refunds

We confirm that a reasonable estimate of the provision required to refund of excess charges for water services provided to tenants is £5.3 million, as a result of the judgement in the London Borough of Kingston case, should tenants reclaim excess charges backdated for up to 6 years. The Council has yet to decide on a formal scheme of remedy and the backdating period may change once a formal scheme has been approved.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

LETTER OF REPRESENTATION

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 30 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 1.9%
- Rate of increase in salaries: 2.9%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: 2.3%
- Commutation take up option Pre-April 2008 50% / Post-April 2008 75%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

The rebuild costs applied for depreciated replacement cost valuations are appropriate and reflect our best estimate of replacing the service potential of the buildings. The rebuild cost assumptions have been agreed to data provided by RICS for Building Cost Indices including Weighted Overall Cost Rate, Location, Location Factor, professional fees percentages and overall obsolescence factors applied.

LETTER OF REPRESENTATION

The yields applied for investment property valuations are appropriate and reflect market rates for the nature of the investment properties in the borough.

We are satisfied that investment properties have been appropriately assessed as Level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax, parking, housing benefit overpayments, housing rent and sundry debt arrears are reasonable. The historic collection rates calculated in previous years for the debts remain consistent with collection rates in 2019/20.

We are satisfied that historic collection rates are a reasonable basis for calculating expected credit losses and that enhanced forecasting of losses will not result in material differences in the impairment allowances.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Jon Warlow

Director of Finance

Date:

AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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