



**Haringey** Council

Agenda Item

**General Purposes Committee**

**On 24 September 2009**

Report title: **Annual Governance Report – to consider the statutory report of Grant Thornton, the Council’s appointed auditor.**

Report of: **Chief Financial Officer**

**Ward(s) affected:** All

**Report for:** Decision

**1. Purpose**

1.1 To present the statutory Annual Governance Report of Grant Thornton which reports on their annual audit of the Council’s statutory accounts, value for money and other relevant information.

**2. Recommendations**

2.1 That the Committee consider the contents of this report and any further verbal updates given at the meeting from Grant Thornton.

2.2 That the Committee agree the amendments to be made to the Statement of Accounts 2008/09 and delegates authority to agree any final amendments to the Chief Financial Officer.

**Report authorised by: Gerald Almeroth – Chief Financial Officer**

**Contact officer: Graham Oliver – Head of Finance – Accounting and Control  
Telephone 020 8489 3725**

### **3. Executive Summary**

- 3.1 The statutory report of Grant Thornton on certain matters relating to the Council's governance responsibilities needs to be considered before a final opinion of the Council's financial statements for 2008/09 is given and a concluding statement on the Council's arrangements for securing economy, effectiveness and efficiency in the use of resources.
- 3.2 It is expected that an unqualified opinion on the accounts will be given and that the opinion on the Council's arrangements for securing economy, effectiveness and efficiency in the use of resources will also be given by the deadline of 30<sup>th</sup> September 2009.

### **4. Reasons for any change in policy or for new policy development (if applicable)**

- 4.1 None.

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

**The following background papers were used in the preparation of this report:**

Report of Chief Financial Officer to General Purposes Committee on 25 June 2009 – Statement of Accounts 2008/09.

### **6. Background**

- 6.1 The Council's Statement of Accounts 2008/09 was reported to the General Purposes Committee on 25 June 2009. The purpose of this report is for Grant Thornton to present certain matters following their audit of these financial statements and of their review of the Council's Use of Resources pertaining to this. This reporting requirement is in accordance with the Audit Commission's statutory Code of Practice for Local Government bodies. It requires auditors to report to those charged with governance before the audit of the accounts is finalised.
- 6.2 The attached report from Grant Thornton sets out the findings of the auditors under various headings and contains an action plan for making further improvements to the accounts closing procedures.
- 6.3 The Council has worked closely with Grant Thornton to improve the 2008/09 accounts process, which has included a jointly agreed action plan, arising from

the 2007/08 audit, training sessions to finance staff to ensure improvements in the accounts closure process and working closer with the auditors throughout the accounts and audit process, to ensure a smooth and efficient audit.

6.4 For 2008/09 the report from Grant Thornton also includes comments that feed into the Council's Use of Resources assessment and a conclusion on whether the Council has adequate arrangements for delivering value for money.

6.5 For 2008/09 there are no areas of dispute between the Council and the auditors and all amendments the auditors have required to be made to the accounts have been actioned.

## **7. Annual Governance Report**

7.1 The detailed Annual Governance report from Grant Thornton is attached.

7.2 During the course of the audit a number of amendments to the accounts were identified and the Council have agreed to make these changes. None of these affect the bottom line of the revenue account or the final level of the Council's reserves. Key amendments that have been agreed are as follows:

- An adjustment of £837k to the creditors figure has been made. The item should properly have been an expenditure item. This has now been appropriately applied to the single status provision;
- Correcting the long-term liability for the PFI which had not been adjusted to reflect the reduced liability, £1.6 million and moving the PFI interest payable on the income and expenditure account of £2.622 million;
- An adjustment between the NNDR and RSG government grant lines of £5.844 million;
- An amendment between categories on the debtor note of the prior year figures to ensure a correct comparison between years;
- Corrections to the cashflow statement,
- A reclassification of £10.2 million expenditure classified as deferred charges to non-enhancing capital expenditure, in note 1 of the accounts; and,
- A movement between categories of £3.9 million of pension benefits in note 1 of the accounts.

7.3 A number of other amendments have been agreed with the auditors and are set out in Appendix A. All of these amendments will be processed and reviewed by the auditors prior to 30<sup>th</sup> September 2009.

## **8. Next Steps**

- 8.1 Grant Thornton are required to give their opinion on the accounts by 30<sup>th</sup> September so any outstanding work on the audit needs to be completed before then.
- 8.2 The Chief Financial Officer is required to sign a letter of representation to acknowledge the responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. A draft of this letter received from Grant Thornton is contained at within their report.
- 8.3 The report from Grant Thornton includes an action plan which will require a formal management response from the Council. The Council has agreed all of the recommendations and will now develop detailed actions in response. The Action Plan, including the responses, will be reported to the Audit Committee at its meeting on 5<sup>th</sup> November 2009 and it will be subsequently monitored by the Committee.
- 8.4 The result of this audit will feed into the Annual Audit and Inspection Letter which needs to be completed and agreed with officers and the Leader of the Council by 31<sup>st</sup> January. It will then be made available to all Councillors and reported to the Cabinet. The final letter will contain references to the final opinion and a summary of the Annual Governance report issues.
- 8.5 The revised pension fund accounts and auditors report were reported to the Pensions Committee on 17<sup>th</sup> September 2009.

## **9. Financial Implications**

- 9.1 There are no direct financial implications arising from the recommendations in this report.

## **10. Recommendations**

- 10.1 That the Committee consider the contents of this report and any further verbal updates given at the meeting from Grant Thornton.
- 10.2 That the Committee agree the amendments to be made to the Statement of Accounts 2008/09 and delegates authority to agree any final amendments to the Chief Financial Officer.

## **11. Head of Legal Services comments**

- 11.1 There are no legal implications from this report.

## Adjustment to Accounts 2008/09

- 1 STRGL - correction of prior year adjustments on fixed assets.(£37m)
- 2 Note 13: PFI: the value of the PFI schools on the balance sheet should be £145.4m, not £144.9m.
- 3 Note 16: reclassification of £681k of assets between disposals and revaluation. The splitting out of impairment and depreciation costs.
- 4 Note 25 GGD - figure for 08/09 should be £228m.
- 5 Note 38 Financial Instruments: an incorrect bank balance figure was used (split between bank and overdraft).
- 6 Note 54 CF Income from Business Rates - The rateable value figure is £129,540,942 but should be £129,640,942.
- 7 Various minor discrepancies with prior year figures
- 8 Note 45, mis-cast 'Total Financing' figure, should be (651,067) rather than (634,170)
- 9 Note 50, mis-cast 'Total' figure, should be 1,262,814 rather than 1,300,393
- 10 Group Balance Sheet, 'Total fixed assets' figure for 31.3.08, should be 1,944,269 rather than 1,974,269
- 11 Corrections to notes 22c (i), (ii), (iii)
- 12 Various textual amendments to the pensions fund note (note 9)
- 13 Amendment to the Icelandic bank impairment, due to revised guidance, moving impairment from a net £7,814m to £8,229 million
- 14 Amendments to the PFI accounting policy
- 15 Note 50 -correction of value disclose as vacant possession value
- 16 Note 38 - Fair Value of Liabilities Carried at Amortised Cost - the carrying values do not agree to the BS. Revised Note needed.
- 17 Various other minor amendments to notes, including minor grammatical and wording changes



**London Borough of Haringey  
Audit 2008/09**

**Annual report to those Charged with Governance  
2008/09**

18 September 2009

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- B Adjustments to the statement of accounts**
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# 1 Executive Summary

ISAK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

## 1.1 Purpose of this report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the London Borough of Haringey ('the Council'). The purpose of this report is to highlight the key issues arising from the audit of the Council's statement of accounts, including the group accounts, for the year ending 31 March 2009.

The document is used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAK) 260, and to report audit findings to "those charged with governance", designated as the Audit Committee.

In order to meet statutory deadlines, this report will be presented at the General Purposes Committee on 24 September 2009. For the purposes of accounts approval, the General Purposes Committee is designated as "those charged with governance."

The Council is responsible for the preparation of a statement of accounts which records its financial position as at 31 March 2009 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements 'present fairly' the financial position of the Council.

Under the Audit Commission's Code of Audit Practice ('the Code') we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). The pieces of work that have informed our VFM conclusion, and our detailed findings, are set out in the course of this report.

## 1.2 Status of the audit

We were presented with the full draft statement of accounts on 24 June 2009. We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards.

At the time of writing, the accounts and use of resources audits are largely complete, subject to completion of our normal finalisation procedures.

The pensions fund audit is complete and will be reported separately to the Pensions Committee this month. We have considered the findings of the audit, including specific consideration of the appropriateness of use of pension fund surplus cash, in line with a recent Audit Commission request. No issues have been raised that will impact on the Council's audit opinion but we have repeated our prior year recommendation in respect of separate pension and general fund bank accounts.



The appointed day for electors to ask the auditor questions on the accounts this year was 4 September 2009. We did not receive any questions from electors on the day but we are currently considering a number of issues raised during the year by members of the public. We do not expect these to delay certification of the 2008/09 audit as they are not issues of a financially significant nature.

### **1.3 Overall conclusions**

#### **Accounts opinion**

The Council produced an initial set of draft 2008/09 accounts on 5 June 2009 (prior to submission of full draft accounts on 24 June), which enabled an initial team and technical review of the accounts to take place and be fed back, prior to production and approval of the formal draft accounts. This enabled audit work to begin early and was useful for the client in obtaining timely feedback on its accounts. We have submitted the closedown process to the Audit Commission as good practice.

Closedown was well managed by the Council this year and there is clear corporate commitment to producing good quality accounts. This has resulted in a relatively smooth audit process and a reduced level of proposed adjustments. Additionally, the Council has already engaged effectively in taking forward planning for accounting under International Financial Reporting Standards (IFRS).

The key highlights from the audit are:

- The Council should develop its systems and procedures for valuing fixed assets so that it can be assured that its asset base has been valued appropriately and that the value of fixed assets shown in the balance sheet remain materially correct. Our work in auditing the accounts of a number of other local authorities nationally has revealed some weaknesses in valuation methods and compliance with Royal Institute of Chartered Surveyors (RICS) guidance by in-house Council valuers. The significant in year reduction in Haringey council dwellings, whilst other Council property values increased, reveals the limitations of the current 5 year rolling revaluation approach.
- There is scope for improvement in aspects of fixed asset accounting, including ensuring that fixed asset registers remain up to date, contain sufficient detail and that only appropriate expenditure is capitalised. Fixed asset accounting is one of the key areas where councils will need to carry out significant additional work in preparation for the introduction of International Financial Reporting Standards.
- The £8.2m impairment on the £37m invested with the failed Icelandic banks has been appropriately reflected within the accounting statements of the Council. Our review of Treasury Management arrangements, using the standard workbook issued by the Audit Commission, demonstrates that the Council has sound arrangements in place and has taken positive and appropriate action to deal with the fall out from the Icelandic banking crisis.
- A review of members' and senior officers' expenses and allowances found appropriate procedures and controls are currently in operation.

The only high priority recommendations that we have raised are in respect of fixed asset valuation and accounting, as we regard these as key areas of accounting risk going forward.

The errors in this report have no impact on the General Fund balance or charges to Council tax payers.

We anticipate providing an **unqualified opinion** on the Council's statement of accounts, prior to the statutory deadline of 30 September 2009.

### **Value for Money conclusion**

In providing our opinion on the statement of accounts, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources ('the Value for Money conclusion').

Our Value for Money conclusion is informed by our work on use of resources ('UoR'). In order for us to provide an unqualified conclusion, the Council needs to achieve a score of at least 2 ('adequate') for each Key Line of Enquiry ('KLoE').

We have assessed the Council as performing well (level 3) in the areas of managing finances and managing resources. This is a good achievement given the new UoR assessment in 2008/09, and compares well against the national picture.

We have assessed the Council as performing adequately (level 2) in all areas of the "governing the business" theme, with the exception of a score of 1 for "use of data". This reflects the findings of the joint area review, the Ofsted review of safeguarding children and mixed results within our data quality spot-checking work.

Therefore, our Value for Money conclusion will contain an **"except for" qualification** in respect of the Council's use of data. It is important that the Council quickly completes all remedial actions to address the identified shortcomings in the use of its data. The Audit Committee has an important role in monitoring the delivery of this.

Further information on the outcome of our accounts and use of resources audits are contained in Section Two.

### **1.4 Way forward**

We will continue to work with the Council to ensure that outstanding finalisation issues are completed in time for the accounts opinion to be formally signed in accordance with the statutory deadline of 30 September 2009.

We are required to provide an audit opinion on the consolidation pack that is to be completed as part of the Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. We will complete this work once the accounts audit has been finalised and in time for the 1 October deadline.

## **1.5 Acknowledgements**

We would like to record our appreciation for the positive co-operation and assistance provided to us by the finance department and other staff at the Council during the course of our audit. The Council has worked extremely pro-actively with us throughout the year to help deliver both the accounts and use of resources audits in an effective manner.

**Grant Thornton UK LLP**  
**18 September 2009**

## 2 Detailed findings

### 2.1 Introduction

This section provides a summary of our findings arising from the audit of the statement of accounts. This includes matters arising from our evaluation of key controls and comment on the Council's overall financial position.

### 2.2 Status of the audit

We carried out our audit in accordance with the audit plan presented to the Audit Committee in May 2008 and our Audit Strategy document presented in June 2009. Our audit is substantially complete.

The following finalisation procedures are outstanding:

- completion of residual audit testing and clearance of audit review points
- review of the final version of the statement of accounts, including the Annual Governance Statement
- obtaining and reviewing the Council's letter of management representation
- updating our post balance sheet events review, and review of the Annual Governance Statement, to the date of signing the accounts.

### 2.3 Audit opinion

#### Accounts opinion

We expect to issue an **unqualified** audit opinion on the Council's statement of accounts. This is subject to the approval of the statement of accounts by the General Purposes Committee on 24 September 2009 and completion of our finalisation procedures.

A number of key issues arose during the course of the audit which, whilst not considered material to the reported financial performance, should be considered by the Audit Committee at future meetings. These are set out in sections 2.4 to 2.6 below.

#### Value for Money conclusion

Our Value for Money conclusion is informed by our work on Use of Resources ('UoR'). In order for us to provide an unqualified conclusion, the Council needs to achieve a score of at least 2 ('adequate') for each Key Line of Enquiry ('KLoE').

In 2009, the Audit Commission introduced a new framework and methodology for UoR assessments, which emphasises outcomes over processes, and brings new areas into the assessment such as environmental and workforce management. The new assessment presents a more robust challenge than the old framework, based on different scoring criteria.

The first assessment under the new framework has recently been finalised and the scores for Council, by theme, are shown in the table below.

**Table 1: Final UoR scores**

Theme	2009
1 Managing Finances	3
2 Governing the Business	2
3 Managing Other Resources	3

Key for KLoE scores:  
 1 - Below minimum requirements - inadequate performance  
 2 - Meets minimum requirements - performs adequately  
 3 - Exceeds minimum requirements - performs well  
 4 - Significantly exceeds minimum requirements - performing excellently

We have assessed the Council as performing well (level 3) in the areas of managing finances and managing resources. The managing finances assessment reflects particular strengths in the areas of integrated financial and service planning, financial reporting and stakeholder consultation. The overall score of 3 for managing resources is largely attributable to the underlying score of 3 for managing natural resources, which is an area of strength for Haringey. This is a good achievement given the new Use of Resources assessment in 2008/09, and compares well against the national picture.

We have assessed the Council as performing adequately (level 2) in all areas of the "governing the business" theme, with the exception of a score of 1 for "use of data". This reflects the findings of the joint area review, the Ofsted review of safeguarding children and mixed results within our data quality spot-checking work.

Therefore, our Value for Money conclusion will contain an **"except for" qualification** in respect of the Council's use of data.

We would like to emphasise that the Council has performed well to achieve a number of level 3 scores, as the prevailing score nationally is 2.

The outcome of our UoR audit will be reported in full in a separate report which will be presented to the Audit Committee on 5 November 2009.

## 2.4 Matters arising from the statement of accounts audit

Matters arising from the statement of accounts audit are set out below. Where appropriate, we have made recommendations for improvement, as set out in the agreed action plan at Appendix C.

### Fixed asset valuations

Proper accounting practice requires that a local authority's property asset base is revalued every 5 years as a minimum and the Council aims to achieve this through a rolling 5 year programme, with approximately 20% of its properties being revalued every year. However, for 2008/09, just under 50% of properties were valued as the commercial and schools portfolios were targeted, which constitute the largest part of the estate.

The 2008/09 revaluation resulted in an increased valuation on non-Housing Revenue Account (HRA) properties of £52 million. The accounts also included an impairment of £196m against the council housing stock, reflecting the impact of the prevailing economic conditions in 2008/09 on property values.

Whilst the impairment of council house values was in line with our expectations, the increase in non-HRA property values was not. This is because council houses are revalued each year, which results in valuations keeping pace with changing market conditions, whilst other properties are usually revalued once in the 5 year period. The unexpected increase in the value of non-HRA properties in 2008/09 represents the impact of 4 years worth of inflation (since last valuation) mitigated in part by a sharp fall in values in 2008/09. The resultant net 2008/09 increase in the values of non-HRA properties suggests that the Council's rolling revaluation programme has not kept pace with real changes in non-HRA property values for the last few years.

Our work in auditing the accounts of a number of other local authorities nationally has revealed some weaknesses in valuation methods and compliance with Royal Institute of Chartered Surveyors (RICS) guidance by council valuers. At Haringey, the draft 2009/10 internal audit report on fixed assets recommends that better communication is needed between Corporate Finance and Property Services regarding the schedule of valuations. Our audit also identified scope for improvement in the documentation of assumptions used in arriving at HRA valuations and for demonstrating that all fixed assets had been revalued in the past 5 years.

With the forthcoming introduction of International Financial Reporting Standards (IFRS), there are increased requirements around ensuring that valuations are kept up to date and are compiled on the correct basis. IFRS requires non specialised assets to be valued under an existing use basis and specialised assets to be based on the 'modern equivalent asset' basis. Under IFRS, the Council will also need to separately identify, record and value significant components within fixed assets.

This means that the Council needs to review its processes to ensure that:

- assets are split into the correct components and valued on the correct basis and in accordance with current valuation guidelines
- valuations and impairment reviews take place with sufficient frequency to ensure that the annual accounts materially reflect the fair value of assets
- Corporate Finance and Property Services work together closely, including ensuring that sufficient resource is devoted to dealing effectively with the more stringent valuation and accounting requirements.

We recognise that the Council has a programme of work underway to manage the transition to IFRS compliant accounting, and is involving the in-house valuers on the project team. As we regard this as an area of increasing audit risk, we will increase our audit focus on asset valuations from 2009/10.

### **Fixed asset accounting**

We identified some other areas where there is scope for the Council to further develop its fixed asset accounting. These comprised:

- Improving the audit trail to fully demonstrate compliance with accounting standards when capitalising expenditure. Our testing showed certain items of capitalised expenditure that appeared to be repairs and maintenance (i.e. revenue) costs, which under the SoRP requirements and the Council's own accounting policy should not be capitalised. Whilst explanations were provided for the cases identified, the Council needs to tighten its definitions and justification for capitalising expenditure, particularly for expenditure that appears to be revenue in nature.
- Moving away from using the major repairs allowance (MRA) as a proxy for Council house depreciation as IFRS accounting is introduced. The use of MRA, which is currently allowed by the SoRP, leads to a significantly lower depreciation figure than would be expected under conventional depreciation methods.
- Introducing individual asset records for vehicles, plant and equipment and infrastructure assets, which will be required under IFRS.
- Ensuring the classification of assets awaiting disposal is fully accurate (we found one asset, valued at £66k, still classified as awaiting disposal when the decision had since been made not to dispose of it), and ensuring that the fixed asset register is updated promptly to reflect valuations that were carried out for the purpose of informing the decision to dispose.

The introduction of the SAP asset management module in February 2009 has begun to deliver improvements in fixed asset accounting, but the Council agrees there are still areas for improvement as the new system becomes embedded.

Whilst none of these issues have resulted in proposed accounting adjustments, we have provided further detail and have raised recommendations for management in the Action Plan at Appendix C.

### **Treasury management**

Our testing revealed that the Council's £15m daily investment authorisation limit had been breached on two occasions (June 2008 and February 2009). The Council was already aware of this control weakness as a result of the PwC post-Iceland report (February 2009), where one breach was identified, and introduced a more robust investment authorisation form in March 2009 to avoid further breaches. We tested all the days in March 2009 when more than £15m was invested, and found no breaches.

We note that the authorisation form was further enhanced in April 2009, requiring the authoriser to confirm that they have not breached their daily limit, as set out on the form. We are also aware that the Council is performing further internal checking and testing in this area to reinforce continued compliance. As set out at 2.9 below, this control improvement was part of the Council's decisive response in addressing nationally and locally identified treasury management issues post-Iceland. We are satisfied with the Council's response to this issue.

### **Group accounts consolidation**

As part of our audit work, we reviewed the arrangements in place between the Council and Alexandra Park and Palace as to whether these should continue to be treated as separate entities or whether Alexandra Park and Palace Trust should be consolidated into the main Council accounts.

We have reviewed the requirements of the SoRP as to whether the Trust should be consolidated into the main accounts. It would appear that the SoRP allows that normally, a trustee relationship does not give rise to a control relationship as the trustees are legally bound to act only in the interests of the charity. However, it does state that all factors should be taken into account to determine the substance of the relationship that exists and that the issue over control should be the dominant test.

As part of last year's audit (2007/08), we concluded that, although the Council increased its level of "control" over the Trust, the controls that were put into operation were of a temporary nature and were not sufficient to warrant the Trust being included within the group financial statements.

We have updated our review of these factors as part of the 2008/09 audit. We noted that many of the additional elements of control that were put in place by the Council towards the end of 2007/08, such as the increased level of management secondments, were scaled down during 2008/09. In all other significant respects, our 2007/08 assessment remains relevant.

As such, we concluded that for 2008/09, the Council's level of "control" over the Trust is not sufficient to warrant the Trust being included within the group financial statements. We note, however, that under statute the operating deficit for the Trust is funded by the Council and reflected in the Council's accounts.

Looking forward, under IFRS, control of an entity is considered to exist if a parent has the 'power to control' as opposed to 'ability to control'. This could mean that even where an entity does not have a controlling interest, if it has the power to govern, regardless of whether the power is exercised, control is deemed to exist. It is possible, therefore, that Alexandra Park and Palace may need to be consolidated into the group accounts from 2010/11. We will keep this under review.

### **Single status**

We observed that the Council has maintained a £0.7m provision for potential single status payments. It is our understanding that this is because the Council did not fully achieve the planned completion of re-gradings by the end of 2008/09. The Council should ensure the prompt completion of the exercise and subsequently update its accounting for the remaining liability.

### **Financial systems**

We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the statement of accounts audit. Our evaluation of the Council's key financial control systems did not identify any other control issues presenting a material risk to the accuracy of the statement of accounts.



The systems issues that we identified were of a minor nature and included:

- improving controls around aspects of credit note procedures
- improving accounting procedures to ensure that residual grants balances classified as 'government grants deferred' can be identified to individual grant funded assets and ensuring that only appropriate expenditure is recorded under 'revenue expenditure funded for capital under statute'
- improving procedures for identifying related party transactions, providing a suitable audit trail to facilitate the year end audit of debtors and further consideration of separating pension fund and general fund banking.

We reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to support our work in auditing the Council's 2008/09 accounts.

We performed a high level review of the general IT control environments as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that could adversely impact our audit of the accounts.

We have included further details on these points, and appropriate recommendations, at Appendix C.

## 2.5 Adjusted misstatements

There were no misstatements identified by the management team during the course of the audit. Early in the audit, management identified a small number of classification and disclosure corrections, which are being processed with the adjustments identified during the audit.

Our audit identified three misstatements, as follows:

- The PFI liability on the balance sheet had not been reduced in line with the unitary charge paid to the PFI contractor in year. An adjustment of £1.6m is required to the balance sheet, which management has agreed to process. This has no impact on the income and expenditure account or the General Fund balance.
- The draft cash flow statement did not correctly reflect the cash flow implications of the adjustment for the impairment of the Icelandic investments. Management prepared a revised cash flow statement that largely resolved the misstatement. However, there remains a balancing item of £333k that we draw to the attention of those charged with governance.
- We identified an £837k understatement of creditors and expenditure relating to the income tax in respect of single status payments made in 2008/09. Whilst there is an impact on the creditors line on the balance sheet, there is no impact on the income and expenditure account bottom line, as it is offset by a release in the single status provision.

In addition, we identified various proposed amendments to classification and disclosure of the accounts and notes to improve presentation and we are pleased to report that management has agreed to process the majority of these.

All adjusted misstatements are scheduled at Appendix B. The aggregate of these adjustments has not impacted on the Income and Expenditure Account deficit or on General Fund balances. This is consistent with prior year performance on the number and nature of audit adjustments identified.

## **2.6 Unadjusted misstatements**

We are pleased to report that management has agreed to process all adjustments to correct any identified misstatements.

## **2.7 Financial performance**

The Council reported a £0.75m revenue surplus at March 2009 and has set a balanced budget for 2009/10 and for the period of the current Medium Term Financial Strategy (MTFS). General fund reserves reduced from £11.9m to £7.5m in year due to planned support for the MTFS. Overall, the Council maintains a healthy level of reserves, including a £10.1m risk reserve and a £14.1m financing reserve.

The Council has begun its preparations for the anticipated funding reductions from 2011. Officers in all departments have already been tasked to plan for such scenarios as part of routine business planning processes.

The Council is experiencing some financial pressures in 2009/10, notably through increased service volume from demand led children's services and homelessness expenditure. The Council is pursuing plans for mitigating the impact of the financial pressures in these areas and continued to closely monitor the position each month.

## **2.8 Annual Governance Statement ('AGS')**

We have examined the Council's arrangements and process for compiling the AGS. In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council.

As the AGS must be reviewed and, as necessary, updated as at the date of signing our audit opinion, we will review the final version of the AGS as part of our audit completion procedures.

It is for the Council to determine what the AGS may need to be updated for. However, we suggest that this should include consideration of:

- updated information in respect of issues identified in the draft AGS, such as revised Icelandic investment recovery estimates and recent children's services inspection reporting
- any significant new control issues identified since the AGS was drafted, such as our UoR assessment of "inadequate" on use of data and high priority areas for improvement identified from the accounts audit.

## **2.9 Icelandic Banks - the Council's Response**

The Council held £37m investments in the three Icelandic banks that went into administration in October 2008. Both FRS 26 and the 2008 Local Government SoRP require councils to make their best estimate of any impairment of financial assets. The Council has calculated the impairment on its investment in accordance with guidance issued by CIPFA in its Local Authority Accounting Panel (LAAP) bulletins 78, 79 and 82.

LAAP bulletin 82 stated that it would be appropriate for authorities to recognise impairments based on an 80%-95% recovery of the invested amount, dependent on the bank. This is the approach that the Council has followed and has recognised a net impairment of £8.2m (cash loss of £4.5m) in 2008/09. The net impairment has increased from the figure of £7.8m in the draft accounts due to updated guidance having been issued by CIPFA. The reduction in the estimated recoverability of Landsbanki deposits from 95% to 83% is the main reason for this change.

In light of the fall out from the Icelandic bank crisis, auditors were requested by the Audit Commission to review the Treasury Management Arrangements in place at councils. Our review of the Council's Treasury Management arrangements, using the standard workbook issued by the Audit Commission, demonstrates that the Council's has sound arrangements in place and has taken decisive action to deal with the nationally and locally identified areas for improvement.

## **2.10 Members' expenses and allowances**

Due to the high profile coverage of Parliamentary expenses during 2008/09, we looked at members' and senior officers' allowance and expenses in greater detail than in previous years. Our review of the arrangements in place, found appropriate procedures and controls are currently in operation at the Council.

We found one minor omission from our testing. The accounting note that details members' allowances should also include all members' expenses. We found that £2k of conference travel expenses had not been included. The low value of the omission and the context of total 2008/09 expenditure in this area of almost £1.4m, means that we have not proposed an accounts adjustment. We have raised a recommendation, at Appendix C, to ensure that any costs that are not processed via payroll are picked up within this note next year.

## **2.11 Next Steps**

The General Purposes Committee is required to approve the annual accounts of the Council for the year ended 2008/09.

We will continue to work closely with officers to help prepare effectively for the 2009/10 accounts audit, including through a post audit review of 2008/09, workshops and early planning meetings.

Finally, we would like to draw to the attention of those charged with governance further significant changes that will happen to the statement of accounts in future years. As noted earlier in this report, the most significant of which is the full implementation of IFRS into the 2010/11 accounts. Although this may seem a long way off, it is important that authorities start planning now, as there will be significant changes to the accounts. Our experience in other sectors shows that audited bodies that are well planned for the transition to IFRS have fewer amendments to their accounts and are less likely to be charged additional audit fees, than those who are not well prepared.

We recognise that the Council has already carried out a lot of work in starting to address IFRS and is well placed to go forward although, as our audit suggests, there are some significant challenges around fixed asset accounting and valuation.

## A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

### Matters reported under ISA 260

Area	Key Messages
<b>Independence</b>	We are able to confirm our independence and objectivity as auditors and draw attention to the following points: <ul style="list-style-type: none"><li>• We are independently appointed by the Audit Commission.</li><li>• The firm has been assessed by the Audit Commission as complying with its required quality standards.</li><li>• The appointed auditor and client service manager are subject to rotation every 5 years</li><li>• We comply with the Auditing Practices Board's Ethical Standards.</li></ul>

Area	Key Messages
<p><b>Audit Approach</b></p>	<p>Our approach to the audit was set out in our 2008/09 audit plan and our audit strategy document for the year ending 31 March 2009. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice. Other key factors to highlight include:</p> <ul style="list-style-type: none"> <li>• We consider the materiality of items in the statement of accounts in determining the audit approach and in determining the impact of any errors.</li> <li>• We have been able to place appropriate reliance on the key accounting systems operating at the Council for final accounts audit purposes.</li> <li>• In 2008/09 we have been able to place reliance on the work of internal audit in respect of understanding and documenting key accounting systems.</li> </ul>
<p><b>Accounting Policies</b></p>	<p>We consider that the Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies were in accordance with the 2008 local government Statement of Recommended Practice.</p> <p>The Audit Committee has confirmed that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p> <p>We have considered the Council's financial plans in regard to the appropriateness for the Council to account on a going concern basis and find this to have been appropriate.</p>
<p><b>Material Risks</b></p>	<p>We have requested from the Council a letter of management representations, to state that there are no additional material risks and exposures as at the date of the audit report, which should be reflected in the statement of accounts.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the Council have been recognised in the accounts as at the date of the audit report.</p>

Area	Key Messages
<b>Audit Adjustments</b>	<p>We have discussed with management a number of adjustments to the accounts primarily to improve the fair presentation of the statement of accounts as well as the clarity and presentation of disclosure notes.</p> <p>These adjustments are summarised in Appendix B.</p>
<b>Unadjusted Misstatements</b>	<p>There are no unadjusted misstatements to report to those charged with governance.</p>
<b>Other Matters</b>	<p>Other matters for the attention of those charged with governance are set out in the main body of this report.</p>

## B Adjustments to the statement of accounts

The following table presents all non-trivial adjustments made to the accounts arising from the audit process which have been processed and agreed with the Chief Financial Officer.

### Adjustment Type

- **Misstatement** - A change to the value of a balance presented in the statement of accounts.
- **Classification** - The movement of a balance from one location in the accounts to another.
- **Disclosure** - A change to the way in which a balance is disclosed or presented in an explanatory note.

Adjustment type	Accounts balance	Impact on statement of accounts
<b>Misstatement</b>	PFI	The PFI liability on the balance sheet had not been reduced in line with the unitary charge paid to the PFI contractor in year. An adjustment of £1.6m is required to the balance sheet, which management has agreed to process. This has no impact on the income and expenditure account or the General Fund balance.
<b>Misstatement</b>	Cash flow statement	The draft cash flow statement did not correctly reflect the cash flow implications of the adjustment for the impairment of the Icelandic investments. Management prepared a revised cash flow statement that largely resolved the misstatement. However, there remains a balancing item of £333k that we draw to the attention of those charged with governance.



Adjustment type	Accounts balance	Impact on statement of accounts
<b>Misstatement</b>	Creditors / Expenditure	We identified an £837k understatement of creditors and expenditure relating to the income tax in respect of single status payments made in 2008/09. Whilst there is an impact on the creditors line on the balance sheet, there is no impact on the income and expenditure account bottom line, as it is offset by a release in the single status provision.
<b>Classification</b>	Income and expenditure / Note 2	Govt grants not attributable to specific services (Note 2) - Adjustment to be made of £5.844m between RSG and NNDR (Dr: RSG, Cr: NNDR), which was caused by the NNDR line being picked up in error from the ledger when compiling Note 2. This impacts the I&E lines Government Grants (not attributable to specific services) and Distribution from NNDR Pool.
<b>Classification</b>	Debtors	Debtor classification - The prior year comparator for homelessness debt included some costs that have been more appropriately disclosed under Sundry debtors in 08/09. Figures for prior year comparators to be amended by £1,199k to £7,099k for homelessness and £15,559k for Sundry debtors to correct misclassification in the prior year figures.
<b>Classification</b>	PFI interest	An adjustment required to move the £2.622m of interest element of the PFI unitary charge from the Education line of Net Cost of Services to Interest Payable and Similar Charges.
<b>Classification</b>	Note 16	Reclassification required between disposals, revaluations and transfers lines with a net effect of £681k, resulting from errors in compiling the note.
<b>Disclosure</b>	Note 16 / Note 1	Amounts treated as revenue expenditure in accordance with the SoRP but which are classified as capital expenditure by statute. Our testing found that £10.2m of the expenditure included under this heading is non value enhancing capital expenditure on Council owned assets. Management has, therefore, agreed to reclassify this within the impairments line in the fixed assets note.
<b>Disclosure</b>	Income and expenditure	Additional disclosure agreed to increase the prominence of land and buildings impairments due to the decline in market values.

Adjustment type	Accounts balance	Impact on statement of accounts
<b>Disclosure</b>	Note 1 - FRS17 entries	<p>£3.9m of unfunded benefits should be included under 'Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners', not 'Net charges made for retirement benefits in accordance with FRS17'.</p> <p>This has no impact on the bottom line of the income and expenditure account.</p>
<p>A number of other presentation and disclosure adjustments have been agreed to improve clarity and presentation of the accounts which do not affect the reported financial position.</p>		

There is no impact on the Income and Expenditure account deficit or on General Fund balances from the above changes.

## C Action Plan: Accounts audit

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
1. (2.4)	<p><b>Fixed asset accounting - capitalisation</b></p> <p>Our testing showed certain items of capitalised expenditure that appeared to be repairs and maintenance (i.e. revenue) costs, which under the SoRP requirements and the Council's own accounting policy should not be capitalised. Whilst explanations were provided for the cases identified, the Council needs to tighten its definitions and justification for capitalising expenditure, particularly for expenditure that appears to be revenue in nature.</p>	<p>The Council should improve the audit trail to fully demonstrate compliance with accounting standards when capitalising expenditure.</p>	High	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
2. (2.4)	<p><b>Fixed asset accounting - depreciation</b></p> <p>The Council using the major repairs allowance (MRA) as a proxy for Council house depreciation, which is currently allowed by the SoRP. However, this leads to a significantly lower depreciation figure than would be expected under conventional depreciation methods and this will not be consistent with IFRS compliant accounting.</p>	<p>The Council should prepare to move away from using the major repairs allowance (MRA) as a proxy for Council house depreciation as IFRS accounting is introduced.</p>	High	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>
3. (2.4)	<p><b>Fixed asset accounting - asset register</b></p> <p>The Council does not currently hold individual asset records for vehicles, plant and equipment and infrastructure assets, which will be required under IFRS. Now that the SAP asset management model has been introduced, the Council's has the tools to do this.</p>	<p>The Council should introduce individual asset records for vehicles, plant and equipment and infrastructure assets, which will be required under IFRS.</p>	High	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
4. (2.4)	<p><b>Fixed asset accounting - disposals</b></p> <p>We found one asset, valued at £66k, classified as awaiting disposal when the decision had been made not to dispose of it. Although not significant in value, this results in a balance sheet misclassification.</p> <p>Also, the fixed asset register is not currently updated to reflect valuations that were carried out for the purpose of informing the decision to dispose at the time that those valuations are made. Although the asset register is updated accordingly at year end and profit or loss on disposal was calculated correctly in the sample we tested, this practice increases the risk of errors in calculating profit and loss and of having incorrect valuations recoded in the year end balance sheet.</p>	<p>The Council should ensure the classification of assets awaiting disposal is fully accurate and ensure that the fixed asset register is promptly updated to reflect valuations that were carried out for the purpose of informing the decision to dispose.</p>	High	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
5. (2.4)	<p><b>Fixed asset valuations</b></p> <p>Our work in auditing the accounts of a number of other local authorities nationally has revealed some weaknesses in valuation methods and compliance with Royal Institute of Chartered Surveyors (RICS) guidance by in-house Council valuers.</p> <p>The significant in year reduction in Haringey council dwellings whilst other Council property values increased reveals the limitations of the current 5 year rolling revaluation approach. Our audit also identified scope for improvement in the documentation of assumptions used in arriving at HRA beacon valuations and for demonstrating that all fixed assets had been revalued in the past 5 years.</p>	<p>The Council should develop its systems and procedures for valuing fixed assets so that it can be assured that its asset base has been valued appropriately and that the value of fixed assets shown in the balance sheet remain materially correct. This will include ensuring that:</p> <ul style="list-style-type: none"> <li>• assets are split into the correct components and valued on the correct basis and in accordance with current valuation guidelines</li> <li>• valuations and impairment reviews take place with sufficient frequency to ensure that the annual accounts materially reflect the fair value of assets</li> <li>• Corporate Finance and Property Services work together closely, including ensuring that sufficient resource is devoted to dealing effectively with the more stringent valuation and accounting requirements.</li> </ul>	High	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
6. (2.4)	<p><b>Pension fund bank account</b></p> <p>As highlighted in our report last year, pension fund cash balances are held in shared bank accounts with Council main funds, and concerns were raised over the suitability of this practice in the longer term. Our review this year, as with last year, concluded that good controls are in place to ensure funds relating to the fund are easily identifiable.</p> <p>We note that DCLG is consulting on proposals to prevent "co-mingling" of pension and general fund bank accounts.</p>	<p>Our recommendation remains that consideration is given to the pension fund having its own bank accounts separate from those of the Council.</p>	<p>Medium</p>	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
7. (2.4)	<p><b>Related party transactions (RPT)</b></p> <p>RPT declarations - At the start of the audit 29 of 98 RPT declarations had not yet been received. By the end of the audit, we would expect that all had been received. We would recommend that all declarations be received prior to the audit commencing, in order to avoid any potential audit adjustments.</p> <p>Identification of RPTs - As per discussion with the Council, there is no process for identifying RPTs outside the receiving of RPT declaration forms. We would recommend that the ledger be checked for any undisclosed material RPTs.</p>	<p>The Council should tighten its procedures for ensuring timely receipt of all RPT declarations and, in line with good practice, expand processes for identifying any undisclosed RPTs.</p>	<p>Medium</p>	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>



No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
8. (2.4)	<p><b>Credit note procedures</b></p> <p>Our testing of post-year end credit notes raised found one instance of a credit note being raised against invoices that had not in fact been issued by the Council.</p> <p>The invoices originate from the Council's energy supplier Corona. The Council then raise equivalent invoices to partners such as CONEL. However, two of the invoices that were included in the credit note had not in fact been raised (value of £178k). The Council is correcting this error by raising the required invoices.</p>	<p>The Council should review other similar credit notes raised to identify if there is any further income that may be due, and should enhance controls to prevent similar issues from occurring in future.</p>	Medium	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>
9. (2.4)	<p><b>Debtor and creditor audit trail</b></p> <p>We encountered difficulties during the audit when trying to test creditors and debtors. The reports provided were of nominal activity i.e. showing historical movements, rather than open balances at year end, the latter being what we need to test.</p>	<p>For the 2009/10 audit, the Council should design reports that facilitate audit testing of year end debtor and creditor balances.</p>	Medium	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
10. (2.4)	<p><b>Revenue expenditure funded by capital under statute</b></p> <p>There is £16.8m in the accounts that is classified as 'revenue expenditure funded by capital under statute.' Per the SORP, and the Council's accounting policy, this figure should only include capital expenditure on assets not on the Council's balance sheet.</p> <p>However, our testing found that £10.2m of the expenditure included under this heading is non value enhancing capital expenditure on Council owned assets. Management has, therefore, agreed to reclassify this within the impairments line in the fixed assets note.</p>	<p>The Council should ensure that only appropriate expenditure is recorded under 'revenue expenditure funded for capital under statute'</p>	<p>Medium</p>	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
11. (2.4)	<p><b>Government grants deferred balances</b></p> <p>Government grants deferred are required to be identifiable to specific assets that were funded from those grants, in order that the outstanding grant balance can be written down alongside depreciation of the asset to which it relates.</p> <p>Within the government grants deferred balance there is approximately £16m that dates back to 2000 or before. It is likely that some of this relates to residual balances that cannot be directly linked to individual assets and should be written out of the accounts.</p>	<p>For the 2009/10 accounts, the Council should carry out a further exercise to identify any residual government grants deferred balances that cannot be linked to the asset that they funded and should write these out of the accounts. From then on it should be made clear in SAP which asset any government grants deferred balance is linked to.</p>	Medium	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>
12. (2.4)	<p><b>Single status</b></p> <p>We observed that the Council has maintained a £0.7m provision for potential single status payments. It is our understanding that this is because the Council did not fully achieve the planned completion of re-gradings by the end of 2008/09.</p>	<p>The Council should ensure the prompt completion of the exercise and subsequently update its accounting for the remaining liability.</p>	Medium	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>

No./ Ref	Matter arising	Recommendation	Priority	Management response and implementation details
13. (2.10)	<p><b>Members' allowances and expenses</b></p> <p>We found one minor omission from our testing of members allowances and expenses. The accounting note that details members' allowances should also include all members' expenses. We found that £2k of conference travel expenses had not been included, within the context of total 2008/09 expenditure in this area of almost £1.4m.</p>	<p>The Council should ensure that any Members allowances and expenses costs that are not processed via payroll are picked up within this relevant accounts note next year.</p>	Medium	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>
14. (2.4)	<p><b>Cash flow statement</b></p> <p>The draft cash flow statement presented for audit did not correctly reflect the cash flow implications of the Council's investments. Management prepared a revised cash flow statement that largely resolved the misstatement. However, there remains a balancing item of £333k that we draw to the attention of those charged with governance.</p>	<p>The Council should ensure that the cash flow statement presented for audit, fully reconciles to the other statements within the accounts.</p>	Medium	<p>Agreed.</p> <p>Full response, action plan and implementation details are to be reported to the Audit Committee on 5 November 2009.</p>



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Our Ref  
Your Ref PD/PH/LBH/2008/09

Grant Thornton UK LLP  
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Melton Street  
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NW1 2EP

**25 September 2009**

Dear Sirs

**Financial Statements for the Year Ended 31 March 2009**

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other members, related parties, controlling bodies, management and staff of the London Borough of Haringey ('the Council'), 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 following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your audit plan for 2008/09.

- i We acknowledge our responsibility for ensuring that financial statements are prepared which present fairly the financial position of the Council and for making accurate representations to you.
- ii As far as we are aware:
  - there is no relevant audit information (including that related to post balance sheet events) of which you are unaware; and
  - we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.
- iii 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 recorded in the accounting records and reflected in the financial statements.
- iv All other records and related information, including minutes of all management and Committee meetings, have been made available to you.
- v We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the 2008 local government Statement of Recommended Practice, we selected the estimation technique considered to be the most appropriate to the Council's particular circumstances for the purpose of giving a presents fairly view. Those estimates, whose basis are clearly disclosed in our financial statements, reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - i. to reduce debtors to their estimated collectable amounts;

- ii. for any impairment losses or other write downs identified in relation to tangible fixed assets and investment assets;
- vi The financial statements are free of material misstatements, including omissions.
- vii We confirm that the value of land and buildings are not materially different to the values in the financial statements.
- viii we confirm that as far as we are aware the value of investment assets has not been materially impacted by any changes in credit ratings or other factors;
- ix We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- x We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xi We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- xii We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- xiii Except as stated in the accounts:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Council have been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xiv There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements.
- xv All related parties have been identified to you and there were no transactions with related parties nor details of controlling interests which should be disclosed in the financial statements, that are not all ready disclosed in the notes to the accounts.
- xvi There are no claims, legal proceedings or other matters which may lead to a loss falling on the Council or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements except as disclosed in the notes to the accounts.
- xvii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- xviii We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.

- xix We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xx No inventory is stated at an amount in excess of net realisable value.
- xxi No significant events having an effect on the financial position of the Council have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto except as disclosed in the financial statements.
- xxii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that as at 25 September 2009 no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

The financial statements have been fully explained to and discussed with us.

**Approval**

The approval of this letter of representation was minuted by the General Purposes Committee at its meeting on 24 September 2009.

Signed on behalf of London Borough of Haringey.

Name .....	Name .....
Position .....	Position .....
Date .....	Date .....



## **Independent auditor's report to the Members of London Borough of Haringey**

### **Opinion on the Authority accounting statements**

We have audited the Authority and Group accounting statements and related notes of London Borough of Haringey for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Haringey in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the Chief Financial Officer and auditor***

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority and Group accounting statements and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements and related notes. Our responsibilities do not extend to any other information.

### ***Basis of audit opinion***

We conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

### ***Opinion***

In our opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

### ***Opinion on the pension fund accounts***

We have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the Chief Financial Officer and auditor***

The Chief Financial Officer's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on

Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. We consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

### ***Basis of audit opinion***

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

### ***Opinion***

In our opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Authority's Responsibilities***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, We are satisfied that, in all significant respects, London Borough of Haringey made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009, except for producing relevant and reliable data and information to support decision making and manage performance.

Paul Dossett  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants

LONDON

25 September 2009