



# London Borough of Haringey Council

Audit Completion Report: Year ended 31 March 2021

Report to the Audit Committee



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# Welcome

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This is our Audit Completion Report to the Audit Committee of London Borough of Haringey. The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England.

This report summarises the results of our audit of London Borough of Haringey for the year ended 31 March 2021, including areas requiring further discussion and/or the attention of the Audit Committee. We look forward to discussing these matters with you at the Audit Committee meeting on 3<sup>rd</sup> December 2024, 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 Full Council. We expect that the Audit Committee will refer such matters to Full Council together with any recommendations, as it considers appropriate.

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

Rachel Brittain, Key Audit Partner  
For and on behalf of BDO LLP

24 November 2024



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This report has been prepared solely for the use of the Audit Committee and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Local Audit Reset and Recovery Implementation Guidance (LARRIGs) and Code of Audit Practice	We will perform our audit in accordance with LARRIGs and the Code of Audit Practice 2024 published by the National Audit Office.
Financial statements	We will express an opinion on London Borough of Haringey's financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21 and other directions.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to London Borough of Haringey; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Use of resources and Auditor's Annual Report	We will provide a commentary on London Borough of Haringey's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from London Borough of Haringey.  The Auditor's Annual Report is required to be published by London Borough of Haringey.

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This summary provides an overview of the audit matters that we believe are important to the audit of the financial statements for London Borough of Haringey for the year ended 31 March 2021.

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.

### Responsible financial officer (RFO)

The Accounts and Audit Regulations 2015 require the Director of Finance, as RFO, to sign and date the statement of accounts, and confirm that they are satisfied that it presents a true and fair view of:

- the financial position of the authority at the end of the financial year to which it relates; and
- that authority's income and expenditure for that financial year.

Our audit of the financial statements does not relieve the RFO nor those charged with governance of their responsibilities for the preparation of the statement of accounts.

### Overview

Our audit work is complete or substantially complete and subject to the successful resolution of outstanding matters we anticipate issuing our audit opinion on the London Borough of Haringey's financial statements for the year ended 31 March 2021.

Outstanding matters are listed on page 38.

No restrictions were placed on our work by management.

### Circumstances that affect the form and content of the auditor's report

There has been a deterioration in the timeliness of local audit in recent years leading to a persistent and significant backlog of audit opinions. Across England, the backlog of outstanding audit opinions stood at 771 at 31 December 2023 and is estimated to increase to around 1,000 later this year. In February 2024, the Department for Levelling Up, Housing and Communities published 'Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit'. This joint statement confirmed that:

*"The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution".*

The factors contributing to the delay in issuing an audit opinion on the financial statements of London Borough of Haringey for the year ended 31 March 2021 include, but are not limited to:

- increased regulator expectations on auditors
- difficulties in attracting, developing and retaining staff to perform local audit work
- the impact of the Covid-19 pandemic

Over the last year, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return.

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To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

The backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Consequently, this prevents us from meeting the overall objectives of an audit as set out in ISA (UK) 200 '*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*'. Therefore, the backstop date has created circumstances which require us to consider modifying our opinion on London Borough of Haringey's financial statements.

### Significant difficulties encountered during the audit

ISAs (UK) require us to report to you any significant difficulties we have encountered during the audit. As previously outlined, the backstop date has created time constraints that have impeded us from completing all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil the objectives of all relevant ISAs (UK). Therefore, the backstop date represents a significant difficulty that we have encountered during the audit.

### Audit Report

The Accounts and Audit (Amendment) Regulations 2024 require London Borough of Haringey to publish audited financial statements for the year ended 31 March 2021 by 13 December 2024. We have not been able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date. As a result, we are unable to conclude that London Borough of Haringey's financial statements for the year ended 31 March 2021 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Therefore, we anticipate issuing a disclaimer of opinion on the financial statement.

### Objections

We are in the process of determining two objections for 31 March 2023 financial year which we are aiming to determine before 13<sup>th</sup> December 2024, however if there are any legal considerations relating to these objections it may impact on our ability to issue an audit opinion by the backstop date.

### Use of resources

We have identified significant weaknesses with regards to maintaining and strengthening the financial viability across the MTFs period.

Our audit certificate will be issued when we have completed our work on determining the objections.

### Independence

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



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This summary provides an overview of the audit scope and materiality for the year ended 31 March 2021.

### Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

### Materiality

Materiality for the Group has been set at 1.5% of gross expenditure for the period (prior year 1.5%) and is outlined in the adjacent chart. For reporting purposes, we consider misstatements of less than £16.4 million (2021: £14.8 million) to be trivial unless the misstatement is indicative of fraud.

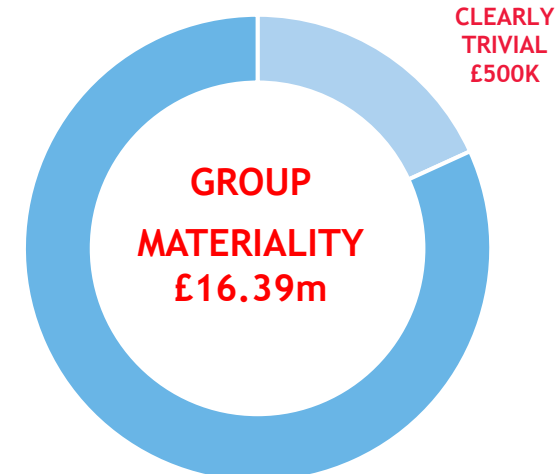
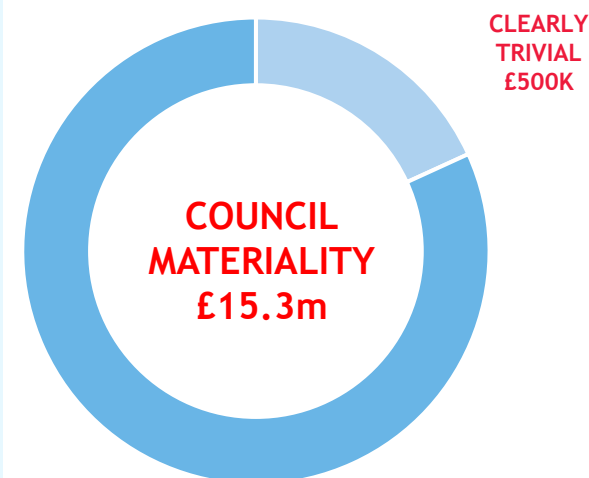
### Council's responsibilities

The Section 151 Officer, Director of Finance, is responsible for the preparation of the Statement of Accounts and for being satisfied that these show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2020/21, applicable accounting standards or other direction under the circumstances. Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

### Material misstatements

Our audit identified the following material misstatements:

- Infrastructure Assets: the Council has not complied with the CIPFA Bulletin 12 or the statutory override in the 2020/21, therefore Infrastructure Assets were not disclosed in accordance with the Code. The Council has applied this to the 2022/23 financial statements, this could have a material impact on the 2020/21 financial statements if it had been applied.



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### Material misstatements (continued)

- Car Park Debtor: We noted that the Civica system is no longer in use, however the Council did not generate a report on an account-by-account basis therefore the car parking debtor at year end. To address this the Council engaged with Civica to attempt to directly obtain the data but determined that the car parking debtor was not transferred over to the new income system. The Council has assessed that the car parking debtor will not be recovered at 31/03/21 but have decided to not amend the accounts to remove the debtor of £30.8m and Bad debt provision (BDP) of £29.3m in full. This resulted in a material uncertainty on parking Debtor balance where the parking debtor balance is £30.8m.

Management have not amended the financial statements for these issues therefore, they will be referenced in our disclaimer opinion.

### Unadjusted audit differences

We did not identify any audit differences that have not been adjusted for.



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As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600. A high-level overview of how we have designed the Group audit strategy is summarised below to ensure you have clear oversight of the scope of the work we intend to perform on each entity.

Audit Risks, covered later in this report, are cross referenced to each entity to provide clarity over how these arise within your business and where the focus of the audit work will be.

The clearly trivial threshold for the Group has been set at the Group level at £16.4 million. The clearly trivial threshold for the components is as set out in the table below.

Entity	Nature of operations	Audit classification	Reason for classification	Audit risks	Component materiality	Component clearly trivial threshold	Overall audit strategy	Work performed and results
London Borough of Haringey	Local authority	Significant component	Size and risk	Risks 1-8	£15.3 million gross expenditure	£0.5 million	Statutory audit performed by BDO	See below
Homes for Haringey Ltd	Manages Haringey Council houses	Non-significant component	Size	Risk 5	£4.65 million gross expenditure		BDO Group Engagement Team analytical procedures and testing of pension liability assumptions Statutory audit performed by PricewaterhouseCoopers LLP	See below
Alexandra Park and palace Charitable Trust Ltd	Manages the park and palace	Non-significant component	Size	Risk 4	£4.65 million gross expenditure		BDO Group Engagement Team analytical procedures and testing the valuation of Alexandra Palace Statutory audit performed by Hays Macintyre	See below

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Entity	Nature of operations	Audit classification	Reason for classification	Audit risks	Component materiality	Component clearly trivial threshold	Overall audit strategy	Work performed and results
Alexandra House Wood Green Ltd	Manages the Alexandra House	Non-significant component	Size	Risk 4	£0		BDO Group Engagement Team analytical procedures and testing the valuation of Alexandra House.	See below

## Work performed and results

We are required to provide you with an overview of the:

- type of work to be performed on the financial information of the components
- nature of our planned involvement in the work to be performed by the component auditors on the financial information of significant components.

The backstop date has created time constraints that have impeded us from:

- determining the type of work to be performed on the financial information of the components planning our involvement in the work to be performed by the component auditors on the financial information of significant components

- completing all necessary procedures in response to the audit risks identified, which means that we were unable to obtain sufficient, appropriate audit evidence in respect of these risks.

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We assessed the following matters as being the most significant risks of material misstatement in the financial statements, or those where we consider there to be an elevated risk of material misstatement. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

The backstop date has created time constraints that have impeded us from completing all necessary risk assessment procedures. Therefore, we have not been able to meet the objective of ISA (UK) 315 *Identifying and Assessing the Risks of Material Misstatement*, which is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. Had we met the objective of ISA (UK) 315, we may have identified additional risks to those listed below.

#	Audit Risk	Significant or Elevated Risk	Fraud risk present	Significant management estimates & judgements	Specific Letter of Representation Point
1	Management override of controls	Significant	Yes	Yes	Yes
2	Revenue recognition	Significant	Yes	Yes	No
3	Expenditure cut-off	Significant	Yes	Yes	No
4	Valuation of non-current assets	Significant	No	Yes	Yes, Letter of representation on assumptions used in the valuation. Non-compliance with the accounting treatment of Infrastructure Assets
5	Valuation of net pension asset/liability	Significant	No	Yes	Yes, Letter of representation on assumptions used in the valuation.
6	Reconciliation of bank accounts	Significant	No	No	No
7	Allowance for non-collection of receivables	Significant	Yes	No	No
8	Related party transactions	Normal	No	No	No
9	Infrastructure Asset accounting (NEW)	Significant	Yes	No	Yes, Non-compliance with the accounting treatment of Infrastructure Assets



# Risk 1

## Management override of controls

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	C	E	A	V	P	2020/21	2019/20
Management override	✓	✓	✓	✓	✓	All transactions and balances	All transactions and balances

#### Risk description

- ▶ Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk

#### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

#### Key to audit assertions:

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

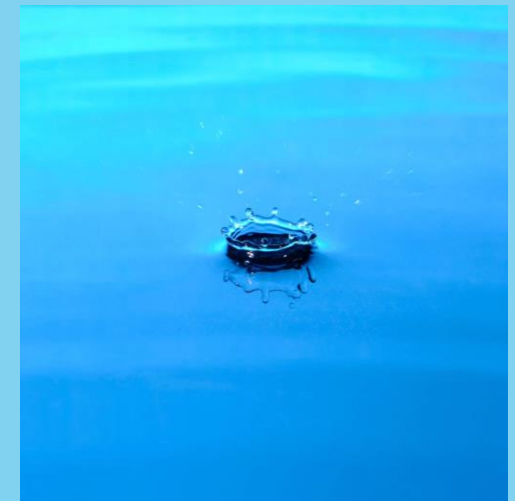
● Significant risk

Elevated risk

Moderate risk

● Fraud risk

● Significant management estimates & judgements



# Risk 2

## Fraud in revenue recognition

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	C	E	A	V	P	2020/21	2019/20
Revenue recognition		✓	✓			£1.025 billion	£1.044 billion

### Risk description

- ▶ Auditing standards note that there is a presumed significant risk resulting from the intentional misstatement of revenue
- ▶ The amounts reported in relation to revenue represent information of significant interest to many users of the financial statements. This puts revenue at a greater risk of manipulation, bias and misstatement.
- ▶ For London Borough of Haringey, we consider the risk of fraudulent revenue recognition (primarily through manipulation of financial reporting) to be in respect of the existence and accuracy of revenue grants subject to specific performance conditions.

### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this

risk.

- Car Park Debtor: We noted that the Civica system is no longer in use, however the Council did not generate a report on an account-by-account basis therefore, the car parking debtor at year end. therefore, address this the Council engaged with Civica to attempt to directly obtain the data but determined that the car parking debtor was not transferred over to the new income system. The Council has assessed that the car parking debtor will not be recovered at 31/03/21 but have decided to not amend the accounts to remove the debtor and Bad debt provision (BDP) in full.
- This resulted in a material uncertainty on parking Debtor balance where the parking debtor balance is £30.8m.

### Key to audit assertions

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

● Significant risk

Elevated risk

Moderate risk

● Fraud risk

● Significant management estimates & judgements



# Risk 3

## Expenditure cut-off

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	C	E	A	V	P	2020/21	2019/20
Expenditure around year end	✓					All expenditure around year end	All expenditure around year end

### Risk description

- ▶ For net-spending bodies in the public sector there is also risk of fraud related to expenditure. For London Borough of Haringey, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

### Key to audit assertions

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

● Significant risk

Elevated risk

Moderate risk

● Fraud risk

● Significant management estimates & judgements





# Risk 4

## Valuation of net pension asset/liability

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	C	E	A	V	P	2020/21	2019/20
Net pension liability/asset (before application of asset ceiling)				✓		£684 million	£493 million

#### Risk description

- ▶ There are risks around both the gross pension asset and the gross pension obligation, which together determine the net defined benefit pension asset/liability recognised in London Borough of Haringey's balance sheet.
- ▶ The gross pension asset comprises a variety of investments, including those which we consider to be 'harder to value' because there are no observable inputs (such as an active market for the investment). This increases the estimation uncertainty associated with the value of these investments, which include property, private equity and other managed funds.
- ▶ The valuation of the pension liability is a complex calculation involving significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired members and applies actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.
- ▶ 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 London Borough of Haringey's share of the scheme net/asset liability.

#### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

#### Key to audit assertions

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

● Significant risk

Elevated risk

Moderate risk

Fraud risk

● Significant management estimates & judgements



# Risk 5

## Valuation of land and buildings

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	C	E	A	V	P	2020/21	2019/20
Land and buildings				✓		£2.685 billion	£2.507 billion

### Risk description

- ▶ Local authorities are required to ensure that the carrying value of land and buildings 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.
- ▶ London Borough of Haringey applies a five-year rolling revaluation programme to its land and buildings, with surplus assets and investment properties revalued annually. A market review is performed at the end of the financial year to determine whether material movements may have occurred since the valuation date. Property revaluations and the market review are undertaken by London Borough of Haringey's external property advisors.
- ▶ Due to the significant value of London Borough of Haringey's land and buildings, 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.

### Key to audit assertions

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.
- ▶ Based on our testing of the beacon valuation of the HRA portfolio, we identified the concern around the distance between comparable properties and the beacon property and whether this distance is appropriate given the size of the borough. The valuer assumptions were not able to be relied up and no further information was provided for audit purposes.

● Significant risk
Elevated risk
Moderate risk
Fraud risk
● Significant management estimates & judgements



# Risk 6

## Allowance for non-collection of receivables

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	C	E	A	V	P	2020/21	2019/20
Allowance for non-collection of receivables				✓		£ 123.4 million	£102.2 billion

### 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 and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.
- ▶ As noted above there is an issue regarding the recoverability of the car parking debtor of £30.3m, where the Provision for impairment of parking debtors is £29.3m and the Council has assessed that the car parking debtor will not be recovered at 31/03/21. The Council has, however, decided to not amend the accounts to remove the Debtor and Bad debt provision (BDP) in full. This has therefore resulted in a material uncertainty in relation to the Provision for doubtful debtors in relation to car parking debtors.

### Key to audit assertions

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

● Significant risk

Elevated risk

Moderate risk

Fraud risk

● Significant management estimates & judgements





# Risk 7

## Reconciliation of Bank Accounts

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	C	E	A	V	P	2020/21	2019/20
Reconciliation of bank accounts				✓		£30.8 million	£29.12 million

### Risk description

- ▶ In the previous years we identified that there were very large and old unreconciled items on the bank general ledger. Our audit work in 2019/20 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 the previous years, we can see there was a significant decline of the number and value of large and old items, with unmatched amount of £66,212 in 2019/20 which has decreased from 2018/19 unmatched amount of £736,541.

- ▶ 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.

### Key to audit assertions

C - Completeness

A - Accuracy

P - Presentation

E - Existence

V - Valuation

### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

● Significant risk

Elevated risk

Moderate risk

Fraud risk

● Significant management estimates & judgements



# Risk 8

## Related Party Transactions

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	C	E	A	V	P	2020/21	2019/20
Related party transactions				✓		All transactions disclosed	All transactions disclosed

#### 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 the related party transactions in the context of fraud as these may represent a greater risk for management override or concealment of fraud.

#### Work performed and results

- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

#### Key to audit assertions

C - Completeness

E - Existence

A - Accuracy

V - Valuation

P - Presentation

● Normal risk

Significant risk

Fraud risk

● Significant management estimates & judgements



# Risk 9

## Infrastructure asset accounting (new risk)

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	C	E	A	V	P	2020/21	2019/20
Infrastructure				✓		£184 million	£176 million

### Risk description

Historically it has been generally accepted public sector practice for highways authorities to not write out the value of replaced highways infrastructure components and/or those components which are fully depreciated from the balance sheet. This practice has recently been highlighted as contrary to the Code requirement that the carrying amount of replaced components be written out of the Balance Sheet. There are a number of reasons for the practice being adopted including; asset registers not recording infrastructure assets with sufficient level of detail to identify individual infrastructure assets or changes to them; processes which drive infrastructure spend (e.g. condition surveys) do not record historical information relating to previous spend.

Over time, this is likely to have resulted in a material overstatement of gross book value and accumulated depreciation and net book value may be materially overstated if infrastructure is being replaced more frequently than useful economic lives suggest.

CIPFA issued Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the

United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and the Prudential Code, and to provide advice on emerging or urgent accounting issues.

They provided temporary solutions to account for infrastructure assets. Statutory provisions have been issued which allowed local authorities to follow an accounting treatment which supports the assumption that derecognition of the carrying amount is zero though they also allow authorities to follow paragraph 4.1.2.51. This enabled all authorities to proceed to close their financial statements and is anticipated to mean that local authorities' net book value is materially accurate in accordance with the provisions of the Code and where necessary supported by the statutory provisions.

### Work performed and results

- The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

●	Significant risk
	Elevated risk
	Moderate risk
●	Fraud risk
	Significant management estimates & judgements



# Risk 9

## Infrastructure asset accounting

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	C	E	A	V	P	2020/21	2019/20
Infrastructure				✓		£184 million	£176 million

Work performed and results

- ▶ London Borough of Haringey Council has decided to not make any adjustments therefore has not adopted this common approach to accounting for infrastructure assets.
- The Council has not complied with the CIPFA Bulletin 12 or the statutory override in the 2020/21. The Council has applied this to the 2022/23 financial statements, this could have a material impact on the 2020/21 financial statements if it has been applied.
- ▶ The backstop date has created time constraints that have impeded us from completing all necessary procedures in response to the risk identified. We were therefore unable to obtain sufficient, appropriate audit evidence in respect of this risk.

Key to audit assertions

C - Completeness	A - Accuracy	P - Presentation
E - Existence	V - Valuation	

●	Significant risk
	Elevated risk
	Moderate risk
●	Fraud risk
	Significant management estimates & judgements







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## Laws and regulations, including fraud

LARRIG 04 '*Auditor reporting requirements under ISA(UK) 250A (Consideration of Laws and Regulations in an Audit of Financial Statements) and reporting in the public interest*' confirms that irrespective of backstop arrangements, if as part of the audit, the auditor identifies actual or suspected non-compliance with laws and regulations, the auditor is required by the ISAs (UK) to investigate and report on these matters.

Our ability to identify non-compliance with laws and regulation that may have a material effect on the financial statements is based on procedures performed during the course of the audit, which have been curtailed as a consequence of backstop arrangements. Therefore, the backstop date has created time constraints that have impeded us from performing procedures which may identify such non-compliance.

We have not identify any non-compliance with laws and regulations that could have a material impact on the financial statements, however we are still determining an objection to the 2022/23 financial statements.

## Significant matters in connection with related parties

We are required to report to you significant matters arising during the audit in connection with London Borough of Haringey's related parties. The backstop date has created time constraints that have impeded us from performing procedures which may identify such matters.

We did not identify any significant matters in connection with London Borough of Haringey Council's related parties

## Financial reporting

We are required to communicate to you our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The backstop date has created time constraints that have impeded us from considering significant qualitative aspects of London Borough of Haringey's accounting practices. We therefore have no views to communicate to you in this regard.

## Significant deficiencies in internal control

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. The backstop date has created time constraints that have impeded us from performing procedures which may identify such deficiencies. In any event, as the purpose of the audit is for us to express an opinion on London Borough of Haringey's financial statements, 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.

We identified the following significant deficiencies in internal control on page 26.

# Special reporting powers and duties

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## Matter

We are required to report if:

- we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit;
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

## Comment

We have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 because the backstop date has created time constraints that have impeded us from completing all necessary procedures in response to this reporting requirement.

We have nothing to report in respect of the other matters.



# Use of resources

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## Requirements of the 2024 Code of Audit Practice and Auditor Guidance Note 3 (AGN 03) Auditors' Work on Value for Money (VFM) Arrangements

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 arrangements) and report to you any identified significant weaknesses.

Following the Code of Audit Practice 2024 coming into force on 14 November 2024 this is based on the following two reporting criteria for incomplete audits for 2020/21, 2021/22 and 2022/23:

- ▶ **Financial sustainability** - How London Borough of Haringey Council plans and manages its resources to ensure it can continue to deliver its services, and
- ▶ **Governance** - How London Borough of Haringey Council ensures that it makes informed decisions and properly manages its risks.

The key output from our audit work in respect of VFM arrangements is a commentary as reported in the Auditor's Annual Report, not a VFM arrangements 'conclusion' or 'opinion'. The Code of Audit Practice 2024 enables auditors to issue a combined commentary as part of a single auditor's annual report for incomplete audits up to and including 2022/23.

Where we are aware of significant weaknesses at the time of issuing our audit report on the financial statements, the nature of the significant weakness and the associated recommendation are required to be referred to by exception in our report on the financial statements.

## Risk of significant weakness

We are required to report the results of our risk assessment to those charged with governance, including additional work planned in respect of any identified risks of significant weakness, and to keep our risk assessment under continual review, with any changes again communicated to those charged with governance.

We assessed the following matters as being the most significant risks regarding use of resources:

- ▶ The Council will need to deliver its 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.

The results of our work on significant weaknesses is set out on the following page/s.





# VFM risk 1

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## Risk description

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 procedures:

- ▶ Reviewed the assumptions used in the Medium-Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government funding applied;
- ▶ Monitored the delivery of the budgeted savings in 2020/21 and the plans to reduce services costs and increase income from 2021/22; and
- ▶ Reviewed the strategies to close the budget gap in the coming years.

## Results

As reported further in our VFM Commentary in the Annual Auditors Report, the Council has a sound track record of setting and delivering balanced budgets and set a balanced budget for 2020/21 with a planned use of reserves of £5.4m to balance the 2021/22 budget. However, in 2022/23 the Council delivered services for the year with a reported overspend at service level of £16m but a total underspend of £0.05 million, with an unplanned use of reserves for the shortfall.

Particular areas of risk to which the Council is exposed include national issues such as inflation and reduced levels of funding, alongside those areas where containing spend is challenging due to the pressures being experienced, as well as the continued impact of the Covid-19 pandemic. Areas

such as adult social care, children's social care and temporary accommodation, in particular, are areas of spending pressure due to increased demand and costs. The Council has since struggled to achieve its savings targets and predicts increasingly significant levels of savings required to balance its budget in the short to medium term. It is also making unplanned use of reserves in order to meet the budget gaps, which is not a sustainable strategy given the current and predicted budget pressures.

The Council has prepared a detailed challenge to the growth assumptions in the existing MTFS which was undertaken alongside a review of the base budget pressures highlighted as part of the in-year budget monitoring. The impact on the revised forecast gap for 2021/22 and onwards is significant. We do, however, note that the council is aware of the significant financial challenges it faces by the Council's and understands the importance of continued focus on the actions that are being taken to address these.

## Discussion and conclusion

There is therefore a 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 Council in the medium to long-term. In future years the usable reserves continue to be reduced in order to balance the Council's budget.

While we have concluded this does not constitute a significant weakness in arrangements from 2020/21 - 2022/23, the Council needs to ensure that robust assessment and monitoring is in place to address this in future years.





# Control Deficiencies

We also bring to your attention deficiencies in relation to IT general controls noted during the audit planning.

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Area	Observation & implication	Recommendation	Management response
Lack of monitoring of activities of a shared Generic Account with privileged access on iWorld system	<p>It was noted that there was a shared generic Account "RB" user that have been granted highly privileged role "ALL_ACCESS" , and although the logs are enabled on the system, there is no process in place for monitoring the activities of the aforementioned privileged access generic account. Five users have access the above-mentioned generic.</p> <p>The risk of abuse of the shared generic account without accountability and undetected.</p>	Management should ensure that formal review of generic accounts with elevated business access is performed on periodic basis to ensure that they are not abused and accountability.	The RB account is the System Admin account created by the supplier. Although any action undertaken by the RB user is recorded in the audit logs this recommendation was about who audits the system administrators. I.e. that a process should be in place across the council where checks are done on actions carried out by system administrators. It is not clear who would be in a position to do this, i.e. have the system knowledge to be able to check and validate the actions undertaken by the system administrators
Inadequate Password policy settings on the systems that enforce strong passwords being set (iWorld, CIPFA, Civica ICON)	<p>BDO identified the following system password-setting weaknesses:</p> <ul style="list-style-type: none"> <li>- iWorld: Password settings for privileged user "RB" user were all weak except for minimum password policy length.</li> <li>- CIPFA: All password settings were weak and with some not even set e.g. password complexity, history and maximum age.</li> <li>- Civica ICON: Password complexity policy parameter was weak as it did not include alphanumeric with special characters</li> </ul> <p>There is a risk that user passwords can be guessed or become known over time to other users. As a result, user accounts are at an increased risk of being used by persons other than the legitimate account owner.</p> <p>Crystallisation of this risk may have resulted in a material misstatement or fraud because user accounts may have been used to:</p> <ol style="list-style-type: none"> <li>1) process unauthorised, fraudulent or inaccurate transactions, and</li> <li>2) bypass controls designed or required to segregate duties.</li> </ol>	Management should consider strengthening the existing password settings to be in line with good practice.	<p>Comment: The Cipfa asset managers flags up and prevents weak passwords from being set. Thus the set passwords would have met a minimum password strength requirement on this system. However, we note your recommendation and now have additional criteria in the settings - see print screen.</p> <p>I-World: Comment: The RB password is linked a number of automated processes, interfaces and scripts. Changing the password is a significant change project with considerable risks. We can adopt the recommended setting with the exception of the 30 days max age as this would have a detrimental impact on the service.</p>

# Control Deficiencies 2

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Area	Observation & implication	Recommendation	Management response
Absence of user access reviews being performed (Mosaic, CIPFA, OHMS)	<p>During our review, it was noted that user access reviews has not been performed for Mosaic, CIPFA &amp; OHMS in-scope applications and/or evidence thereof retained in order to validate the appropriateness of system level access and user activities.</p> <p>There is a risk that user accounts may not be disabled/removed in a timely manner.</p> <p>This increases the risk that unauthorised access via this open account may occur which may result in incorrect and unapproved changes to key data.</p>	<p>User access reviews are a second line of defence control where the operation of the preventative control surrounding the joiners and leavers process fails. It is therefore recommended that user access reviewed are performed at annually due to the size of the business and number of users and should include:</p> <ul style="list-style-type: none"> <li>&gt; Both administrator and standard user accounts; and</li> <li>&gt; User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access;</li> <li>➤ Evidence of user access reviews should be retained to demonstrate effective and continuous operation and control and for future references or audit purposes</li> </ul>	<p>CIPFA Comment: CIPFA users list is normally reviewed at the start of the year. This to ensure that the list is up to date. For example, adding starters &amp; removing leavers.</p> <p>Mosaic Comment: User accounts on Mosaic are reviewed regularly and users who have not logged on to Mosaic for 30 days or more have their account disabled. User Access Review: All service roles are basically fixed e.g. payments officers, social workers, team managers, ( and their profile is set on Mosaic based on the access level set at the initial stage when their manager applies to set them on the system). They are therefore restricted to this access until they change jobs or their manager makes a request to the IT team for a change in their profile. In effect, there is no risk that they can grant themselves higher levels of access without the authorisation from their managers and amendment of their profiles by the IT Team.</p> <p>OHMS Comment: Access review was conducted as part of the user configuration for the implementation of the replacement system (NPS Housing) in 2021/22. We will re-introduced the annual review as part of the ongoing management of the new system</p>

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Area	Observation & implication	Recommendation	Management response
Business users with system Administrator access (iWorld, CIPFA)	<p>iWorld</p> <p>TRA noted that there were 9 business users with access to both highly privileged profiles "ALL_ACCESS &amp; SYSTEM_ADMIN" on the system which grants access to System Tab that can be used to create users, Assign User Action Group, Lock Unlock Users, Change User Password, Create roles and other Admin functions. Furthermore, it was noted that although logs were enabled on the system, no one was monitoring the activities of the business users with privileged access on the system to determine if they are not abusing those accounts which might result fraudulent activities. We identified nine user IDs.</p> <p>CIPFA</p> <p>BDO noted that 4 business users on CIPFA were granted super user role "Administrator" and furthermore their activities were not monitored. We identified four user IDs.</p> <p>There is an inherent segregation of duties risk when an individual has a role in processing / approving / monitoring transactions and administering access rights on the system.</p>	<p>Good practice is to assign the system administrator privileges to an independent individual with no business/transaction processing role. Also, to segregate user access so that no individual can input and approve a transaction on their own throughout a business process.</p> <p>Management should review of these accounts and reduce the number of individuals having admin privileges on the application.</p>	<p>I-World:</p> <p>Comment: The users listed below all had the System_Admin profile as they needed access to the Subsidy tables as part of their role at that time. The access was requested by the service to enable these individuals to work on Subsidy and the access was removed immediately when BDO pointed the issue out.</p> <p>CIPFA</p> <p>Comment: Three users were set to act as back up in [REDACTED] absence. In reality we have not used the system as such there is nothing to monitor. [REDACTED] was given access to assist with year end tasks. We are still required to keep their access active in the event we need them to assist with password reset.</p>

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Area	Observation & implication	Recommendation	Management response
Lack of monitoring of IT Administrator activity (Mosaic, iWorld, CIPFA, OHMS, SAP)	<p>There is no independent monitoring of activity performed by system administrator accounts held by members of the IT team, either at an application or database level. This includes:</p> <ul style="list-style-type: none"> <li>- iWorld (11 IDs)</li> <li>- CIPFA (17 IDs)</li> <li>- Mosaic ("FW Admin" Role) (7 IDs)</li> <li>- OHMS ("SA" ROLE) (8 IDs)</li> <li>- SAP User IDs ("SAP_ALL" Profile) (20 IDs)</li> </ul> <p>There is a risk that unauthorised transaction activity is performed and not detected.</p>	<p>We recommend that management implement audit logging that records activity performed by administrative accounts at application and database level. Administrator activity should be independently monitored, investigated as appropriate and formally signed off by an independent reviewer.</p>	<p>CIPFA replied that All the admin activity is monitored and logged through Jira and is only viewable by a small section of colleagues for monitoring purposes. See pasted.</p> <p>Mosaic Comment: It is not practical to review the Mosaic system admin logs due to the sheer volume of transactions that are carried out every day. However the Mosaic system administrators are all based in IT and need that level of access in order to perform their daily tasks on the system. We run regular reports to check that only the appropriate staff in IT have system administration access to Mosaic.</p> <p>OHMS Comment: All of these users belong to one team (HIT) who are responsible for managing the system. All activities are undertaken as part of teams work to support the business and are managed by Head of IT. Any activities outside this will be recorded and any concerned flagged by the business. We will create a report to manage activity on these accounts for the NPS system as recommended</p> <p>iWorld Comment: Although Audit Logs are enabled, it is not practical to review / monitor all of the activity that is undertaken. System Administrator access is limited to Application level and has now been restricted to the Applications Team based in IT. We already run regular reports to check on access rights and levels and will include Systems Administrator access in this report going forward.</p>



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Area	Observation & implication	Recommendation	Management response
Excessive Users granted Debug Access on SAP system	<p>BDO noted that there were 35 interactive accounts with Debug access on SAP system. Debug access is the highest level of privileges that can be granted on the SAP application and allows a user the ability to perform any task on the application, regardless of whether or not they have the specific roles assigned. No interactive accounts should have this access assigned permanently and when required should only be granted on a time limited basis when entirely necessary. Furthermore, although SM20 logs are on there is no monitoring process for the activities performed by users with administrative accounts.</p> <p>Debug access is the highest level of privileges that can be granted on the SAP application and allows a user the ability to perform any task on the application, regardless of whether or not they have the specific roles assigned. No interactive accounts should have this access assigned permanently and when required should only be granted on a time limited basis when entirely necessary. Any activities done by a user via Debug could be undetectable if the relevant audit logging has not been manually switched on by management and monitored. Therefore, material changes could be made to the application data which may go undetected by management, leading to an inaccurate view of the financial position being shown.</p>	<p>In order to address the risks identified within the privileged access observations noted, we encouraged management to apply the following:</p> <ol style="list-style-type: none"> <li>1. Debug access should not be assigned to any accounts on a permanent basis. This access should only be used in an emergency when other transactions codes are not able to fix the issues on the system. This access should only be given on a short time limited basis following a formal approval process and all activities performed should be formally reviewed afterwards.</li> <li>2. To ensure that the Debug activities are logged by the SAP application, we recommend that the following activities are performed to turn on the specific audit logging which will record all debug activities performed: <ul style="list-style-type: none"> <li>- Navigate to SM19 and review the filters on the bottom half of the screen. Review to see which filters have 'Filters Active' box checked and at least one of these should have the value '*' in the user field.</li> <li>- For this filter, click the 'detailed display' option. Each of the following fields should be checked: <ul style="list-style-type: none"> <li>. CUM - Jump to ABAP Debugger:&amp;A</li> <li>. CUN - A manually caught process was stopped from within the Debugger(&amp;A)</li> <li>.CUO - Explicit database commit or rollback from debugger &amp;A</li> </ul> </li> </ul> </li> </ol>	<p>Further to discussion with the Auditor the 35 user ID's were in Development client which is not a risk and is necessary for support. There are circa 20 dialog users in Production with SAP_ALL. These are all SR users and have this profile for consultant to make changes in PRD where it's not possible by a transport.</p> <p>To mitigate the risk of any changes without a transport and directly in PRD, LBH SAP team will remove this profile and the have a process in place whereby SR consultant will have to request access by filling in a form. This will be implemented as soon as possible.</p>

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Area	Observation & implication	Recommendation	Management response
Inadequate SAP ERP-Segregation of Duties in Change Process Management	<p>TRA noted that there was user "HCLADMIN" with access to Developers Key in live environment which allows direct changes in the live environment, that might change the functionality and configurations of the system which might result in the unauthorised changes that might lead to unauthorised modified financial data.</p> <p>Furthermore, it was noted that there was a user who could develop and transport changes in the live environment.</p> <p>There is a potential risk that a developer/user will have an end-to-end access to the production environment and the user may deploy unauthorised changes in the live environment. This may impact the integrity of financial information or might lead to system downtime.</p>	Management should ensure that there is proper segregation of access to the different environments.	<p>Again this was discussed and explained that this is a Service User ID and not a user dialogue ID. LBH Systems team will liaise with SR and review this access. The Developer Key was not used at all in PRD.</p> <p>LBH SAP systems team will take on the MLP recommendations and ensure there is proper segregation of access to different environments.</p>
Lack of automated alerts for scheduled jobs in iWord	<p>The process of identifying failed batch jobs/interfaces is manual. By not having an automated process that monitors the batch jobs, there is a risk that failed batch jobs might not be timely detected and remediated in a timely manner.</p> <p>Failed scheduled jobs might not be detected and these might result incomplete or inaccuracy data being posted.</p>	Management should consider automating failed scheduled jobs alerts.	The scheduler has been updated to generate an email after each job to confirm the status of the job so there will be an email notification for any failed jobs

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Area	Observation & implication	Recommendation	Management response
Database iWorld (Encryption)	<p>For sensitive data being unencrypted in the system.</p> <p>This increases the risk of sensitive data being read and hence endangers the confidentiality of the sensitive data in the database.</p>	<p>Ensure encryption is enabled for sensitive data in the system and also sure there is an encryption key manager where only senior members of the team has access to the manager. There may reduce the risk of confidentiality of sensitive data being leaked</p>	<p>There is quite a lot that could be classified as 'sensitive' in the iWorld system. We will engage with the application vendor to see what we can do within the scope of the current available functionality or raise an enhancement request.</p>
Database iWorld (Password History)	<p>There is a lack of password history, therefore the user is allowed to reuse the password as much as he want which increases the risk of unauthorised access to the system.</p> <p>Risk that user passwords can be guessed or become known over time to other users. Weaker password parameters may result in the use of an account by persons other than the legitimate account owner to process unauthorised, fraudulent or inaccurate transactions.</p> <p>This could result in a potential risk of material misstatement or fraud as the account may be used to:</p> <ol style="list-style-type: none"> <li>1. process unauthorised, fraudulent or inaccurate transactions, and</li> <li>2. bypass controls designed or required to segregate duties.</li> </ol>	<p>Management should consider strengthening the existing password settings to be in line with good practice.</p>	<p>There is existing functionality already built into the application, that does not appear to be used. We will refer to the Application Support Group, so the functionality can be tested. If the test results are not satisfactory, this can be referred to NEC as an enhancement request</p>

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## Opinion on financial statements

We anticipate issuing a disclaimer of opinion on the financial statements, for the reasons detailed in the 'Executive summary' section of this report.

## Use of resources

There is a 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. This is further magnified with the onset of the COVID-19 pandemic.

We recommend the council to place immediate focus on mitigating emerging budget pressures; perform an enhanced assessment on further planned savings and explore wider alternatives to the use of reserves in managing budget gaps identified within the Authority's MTFS.

These actions will help the Authority remain financially sustainable in the short-term.

## Other matters on which we are required to report by exception

We have no matters to report, other than we have been unable to satisfy ourselves that the Annual Governance Statement complies with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, for the reasons detailed in the 'Special reporting powers and duties' section of this report.



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## Independence

We confirm that the firm, and the engagement team including other BDO network firms conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and the IESBA Code of Ethics and are independent of or London Borough of Haringey Council.

Details of services, other than audit, provided by us to the Group or London Borough of Haringey Council during the period and up to the date of this report are set out in the table below. We have not identified any threats to our independence arising from the provision of these services.

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

## Fee summary

For audits for which there is a disclaimer opinion, PSAA will determine the extent of the backstop audit fees.

	Fees (£)		Independence safeguards	Impact on independence
	Year ended March 2021	Year ended March 2020		
<b>Audit fees (scale fee)</b>	£158,986	£300,000	None required	N/A
<b>Non-audit services:</b>				
Certification of housing benefits subsidy claim	£46,223	£46,223	None required	N/A
Pooling of housing capital receipts return	£3,500	£3,500	None required	N/A
Teachers' pensions return	£3,500	£3,500	None required	N/A
<b>Total fees</b>	<b>£212,209</b>	<b>£353,223</b>		



# Partner rotation

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These tables indicate the rotation periods normally permitted under Public Sector Audit Appointments' (PSAA) rules on rotation of key staff, as set out in the PSAA Terms of Appointment.

It is PSAA's policy that:

- engagement leads should act for an initial period of five years. PSAA may approve engagement leads for an additional period of up to no more than two years, if it is provided with assurance that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised together with details of any mitigations
- other than in exceptional circumstances, the audit manager at an audited body should be changed at least once every seven years. PSAA will approve the appointment of an audit manager for an additional period of up to three years, provided that there are no considerations such that an objective, reasonable and informed third party would conclude that an auditor's integrity, objectivity or independence was or could be perceived to be compromised
- it is not expected that an individual should act as an engagement quality control reviewer at an audited body for a period longer than seven years.

In order to safeguard audit quality, we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

### Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Rachel Brittain Engagement Lead	1	5 years
Julie Holloway Senior Manager	1	7 years
Marco Buys Assistant Audit Manager	1	7 years

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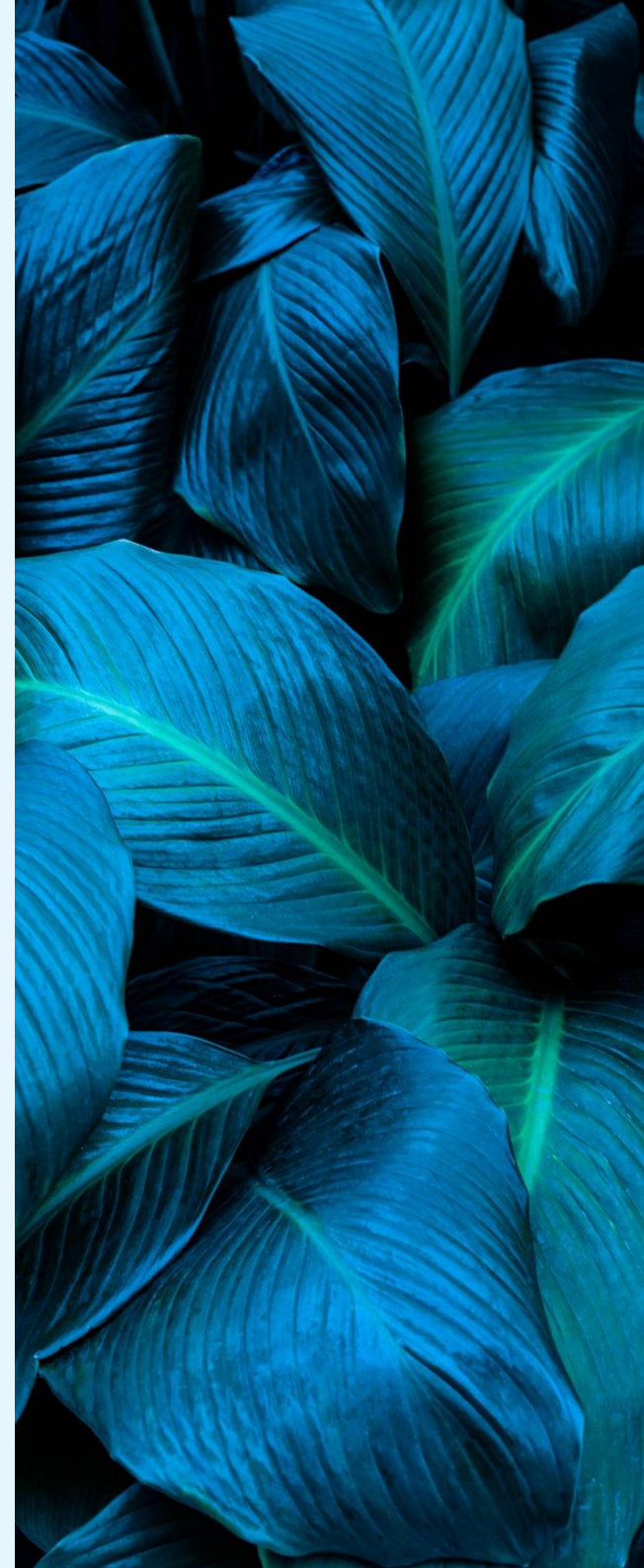
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### Those Charged with Governance (TCWG)

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

### Communication

The National Audit Office has issued Local Audit Reset and Recovery Implementation Guidance (LARRIGs) to support the reset and recovery of local audit in England. LARRIG 02 states that the frequency with which matters are communicated to Those Charged With Governance may be less in the circumstances created by backstop arrangements and that it may therefore be appropriate to include all communications relevant to an audit within a single document. In line with this guidance, we have prepared a combined Audit Planning Report and Audit Completion Report.

### Auditor's Annual Report

We will provide a commentary on London Borough of Haringey's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from London Borough of Haringey Council. The Auditor's Annual Report is required to be published by London Borough of Haringey Council.

The Code of Audit Practice 2024 confirms that for incomplete audits up to and including 2022-23, the auditor may issue a combined commentary as part of a single Auditor's Annual Report. We have therefore decided to issue a combined commentary as part of a single Auditor's Annual Report for 2020/21 to 202/23.

Communication required	Date (to be) communicated	To whom	Communication method
Audit Planning Report	16 November 2021	Audit Committee	Audit Planning Report
Audit Completion Report	3 December 2024	Audit Committee	Combined Audit Planning Report and Audit Completion Report
Auditor's Annual Report	3 December 2024	Audit Committee	Auditor's Annual Report



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We have substantially completed our audit work in respect of the financial statements for the period ended 31 March 2021.

The following 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 Audit Committee meeting at which this report is considered:

- ▶ Finalisation of the annual auditors report, including Queries on the investment property
- ▶ Signed statements of account
- ▶ Signed letter of management representation
- ▶ Outstanding objections to the 2022/23 accounts
- ▶ Final review of the audit file closedown processes





# Management representation letter

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BDO LLP  
55 Baker Street  
London  
W1U 7EU

Dear Sirs

## Financial statements of London Borough of Haringey Council for the year ended 31 March 2021

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 2021 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 Chief Finance Officer has fulfilled their responsibilities for the preparation and presentation of the Group and the Council 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 2021 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 the 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 to 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 London Borough of Haringey 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 London Borough of Haringey 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 I am 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.



# Management representation letter 2

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## 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 made the results available to you.

We have disclosed to you all instances of fraud or suspected fraud that we have knowledge of, involving management, employees or others where the fraud could have a material effect on the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud that have been communicated by employees, former employees, analysts, regulators or any other party where the fraud could have a material effect on the financial statements.

## Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the Statement of Accounts.

## 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 37 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.

The disclosures in the financial statements concerning the controlling party of the Council are accurate.

## 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 financial statements.

## Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements

### 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.



# Management representation letter 3

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## 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.

## 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.

## Compliance with Accounts and Audit Regulations 2015

We confirm that we have complied with the requirements of sections 25 and 26 of the Local Audit and Accountability Act 2014 and sections 14 and 15 of the Accounts and Audit Regulations 2015 in respect of the public inspection of accounts.

## 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 member has taken all the steps that they ought to have taken as a member of London Borough of Haringey Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Taryn Eaves

Chief Finance Officer

[date]

Councillor Erdal Dogan

Chair of the Audit Committee

[date]



# FRC Ethical Standard

Issued in December 2019

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It is now around four years since the FRC's Revised Ethical Standard 2019 ('ES') came into force. It aimed to further strengthen auditor independence and enhance confidence in the profession and was, in many ways, a precursor to the Corporate Governance and Audit Reform debate

that is still ongoing. Although the ES is now well-established it is worth taking time to reconsider some of its most important changes and ensure your internal policies and procedures are effective.

Key headlines	Impact
<b>The objective, reasonable &amp; informed third party test</b>	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 and the public interest.
<b>Contingent fees</b>	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
<b>Secondments</b>	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
<b>Recruitment and remuneration services</b>	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.

# FRC Practice Aid for Audit Committees

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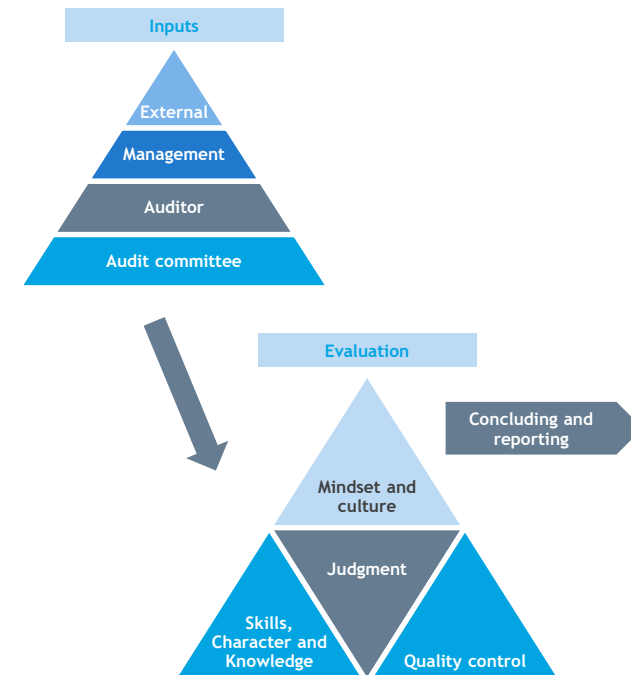
The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: 'The directors of a Company (the Board as a whole) are responsible for ensuring its financial statements 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 trustworthy 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 across).

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](#)



# Audit quality

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## BDO is totally committed to audit quality

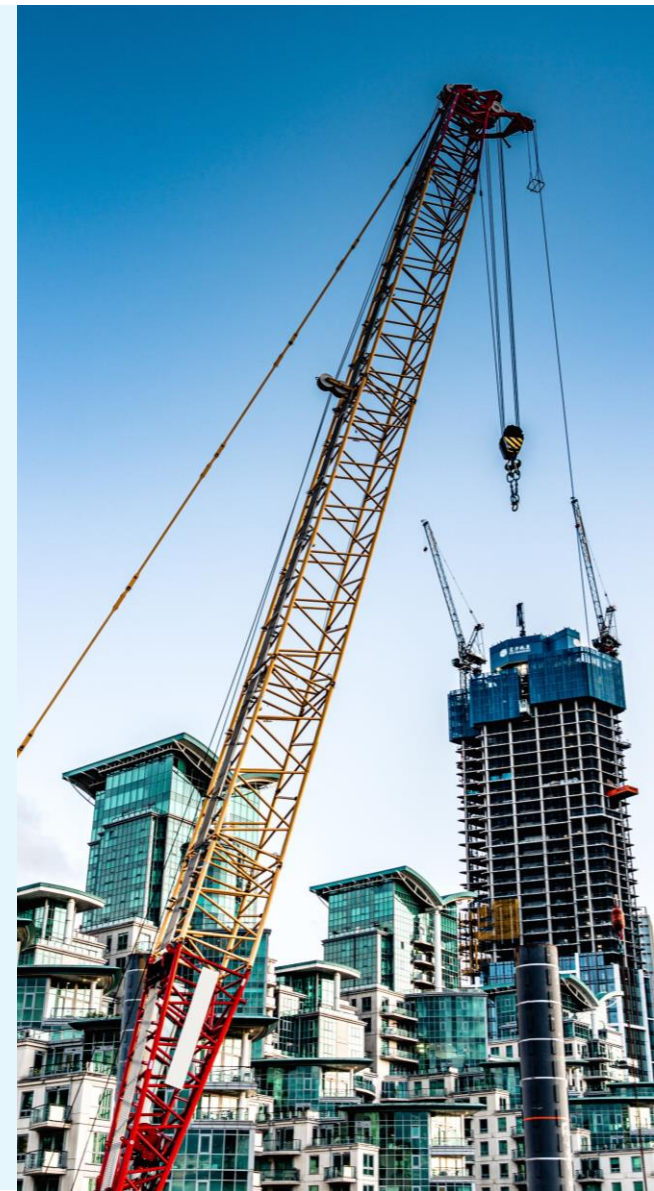
It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address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

BDO welcomes feedback from external bodies and is committed to implementing 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 Financial Reporting Council'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](http://www.bdo.co.uk)



# Our culture of challenge

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***“The Right people, supported to do the Right Work, in the Right place at the Right time. In short doing the Right thing. Always.”***

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. While the ICAEW Code of Ethics provides guidance on how a professional accountant fulfils their duty, the focus of our firm, and auditors individually is to discharge our obligation to serve the public interest by consistently performing quality audit engagements.

Our work as auditors is fundamental to the success of the business world, enabling decisions based on transparent financial reporting that is trusted. The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information which they have responsibility to report, including the financial statements.

Quality is represented in our strategic framework in two important and distinct ways:

- The first is that we are committed to serving the public interest by consistently performing quality engagements - this is particularly important for two reasons: firstly, that it is the right thing to do and secondly, that it's required of by the international standards on quality management.
- The second commitment is to high quality, independence and ethics, which is broader than just our performance on individual audit and non-audit engagements and recognises the importance of high quality in everything we do.

Our Audit Specific Behaviours provide guidance and set consistent expectations for our auditor teams to ensure our day-to-day interactions and decision making come together to create High Performing Teams, that do the right thing. Always.

Read our latest Transparency Report on the BDO website.





# London Borough of Haringey's local authority's responsibilities

## London Borough of Haringey's local authority's Responsibilities and Reporting

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### Financial reporting

is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which London Borough of Haringey Council accounts for its stewardship and use of the public money at its disposal.

The form and content of London Borough of Haringey Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2021/22, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

### Use of resources

Local authorities are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, London Borough of Haringey Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, London Borough of Haringey Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.



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## Our responsibilities and reporting

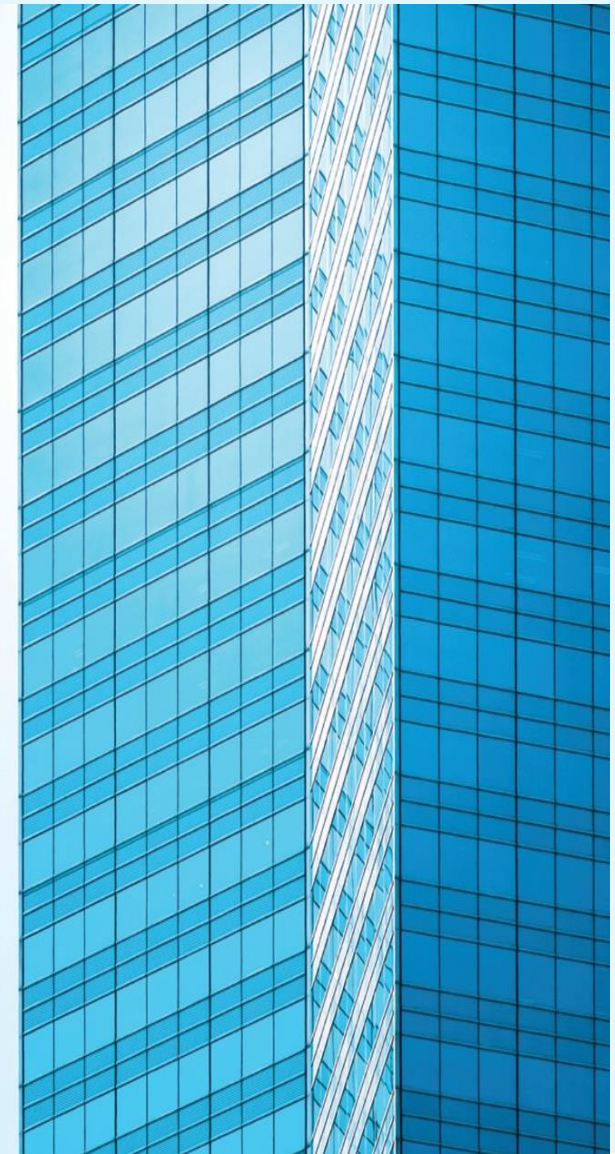
We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements.

We report our opinion on the financial statements to the members of London Borough of Haringey Council.

We are required to satisfy ourselves that London Borough of Haringey Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether London Borough of Haringey Council has put arrangements in place that support the achievement of value for money and to provide an annual commentary on arrangements in the Auditor's Annual Report.

## What we don't report

Our audit is not designed to identify all matters that may be relevant to London Borough of Haringey Council 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







For more information:

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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 London Borough of Haringey Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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