

Annual Governance Report

September 2006



# Annual governance report

London Borough of Haringey

Audit 2005/06

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports to the Council**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

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## Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the London Borough of Haringey's General Purposes Committee is considered to fulfil the role of those charged with governance and references to the General Purposes Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the General Purposes Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the London Borough of Haringey (the Council) for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
  - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the General Purposes Committee;
  - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
  - to provide the General Purposes Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

## Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
  - the Council's financial statements; and
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work (including the corporate assessment), and our separate grant claims' certification programme, will be reported in the Annual Audit and Inspection Letter.
- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

## Key messages

### Financial statements

- 9 Our work on the financial statements is now substantially complete, although there are still some outstanding issues to be resolved. Subject to the satisfactory conclusion of the work outstanding, we anticipate being able to issue an unqualified opinion by 30 September 2006 (a draft report is attached at Appendix 5).

### Use of resources

- 10 Our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is substantially complete. We anticipate being able to issue an unqualified conclusion on the use of resources by 30 September 2006 (a draft report is attached at Appendix 5).

## Financial statements

- 11 We are required to give an opinion on whether the Council's financial statements present fairly:
- the financial position of the Council as at 31 March 2006 and its income and expenditure for the year then ended; and
  - the financial transactions of its Pension Fund during the year ended 31 March 2006 and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

## Status of the audit

- 12 Our work on the financial statements is now substantially complete, although there are a number of outstanding issues to be resolved and audit testing to be completed, in particular, testing on the revaluation of fixed assets and cut-off testing on the creditors balance. Should any further matters arise in concluding the outstanding work that require reporting, we will raise them with the Chair of this committee.

## Matters to be reported to the General Purposes Committee

- 13 We have the following matters to draw to the General Purposes Committee's attention.

### Expected modifications to the auditor's report

- 14 On the basis of our audit work, subject to the satisfactory conclusion of any work outstanding reported above, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

### Uncorrected misstatements

- 15 Our audit has not identified any non-trivial misstatements in the financial statements that management has decided not to adjust.

### Adjusted misstatements

- 16 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We therefore draw your attention to the list of material and significant misstatements that management has agreed to adjust in Table 1 below. A complete listing of all agreed amendments has been provided to officers.



**Table 1 Adjusted misstatements in the financial statements**

Details of material and/or significant adjustments made to the financial statements

<b>Issue</b>	<b>Value of misstatement £</b>	<b>Impact on surplus £</b>
Note 16 to the Consolidated Balance Sheet discloses a contingent liability in respect of CSS (Haringey) Ltd. The company has been wound up and, on the basis of the evidence provided by the Council, a contingent liability no longer exists. The note is therefore being amended to delete this reference.	Value not disclosed (£1.3m in 2004/05 financial statements)	No impact
Note 1 to the Consolidated Balance Sheet has incorrectly classified the nature of deferred charges. The note infers that there is £11,107k of deferred charges relating to Housing Association Grants whereas the actual figure is £37k. The remaining balance is being re-classified to highlight what it relates to.	£11.07m	No impact

**Qualitative aspects of accounting practices and financial reporting**

- 17 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We wish to report the following matters with you.
- 18 Notes 20 and 21 to the financial statements disclose related party transactions. Although the note broadly complies with the requirements of the SoRP and FRS 8 Related Party Disclosures, the level of detail provided is minimal, especially compared to other councils' disclosures. Notably, this relates to the non-disclosure of material transactions with local health bodies and the voluntary sector.

- 19 The Council has considered the requirements of the SORP and FRS 2 Accounting for Subsidiary Undertakings having regard to the nature of its relationship with the Alexandra Park and Palace Charitable Trust (the Trust). The Council has concluded that, having regard to the advice available to it, its relationship does not fulfil the criteria for group accounting. The Trust's results and assets and liabilities are not therefore consolidated in the Council's financial statements. The Council has, however, as in previous years, appended the financial statements of the Trust, for information, as a memorandum account at pages 58 to 73 of its financial statements. A note has been added at page 40 of the Council's financial statements setting out the current position on the audit of the Trust's financial statements for the year ended 31 March 2006 and drawing attention to a potential failure to apply properly FRS 17 Retirement Benefits, although the disclosed effect (an understatement of profits for the year by £107,000, an understatement of actuarial losses by £66,000 and an overstatement of net assets by £544,000) is not material for the purposes of our opinion on the Council's financial statements.

### ***Recommendations***

*R1 Improvements should be made to the qualitative aspects of the Council's related party transactions note in the future.*

### **Material weaknesses in internal control identified during the audit**

- 20 Our audit has not identified any weakness in systems of accounting and financial control which we should report to you.
- 21 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

### **Matters specifically required by other auditing standards**

- 22 Other auditing standards require us to communicate with you in other specific circumstances including:
- where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.

We have no such matters to report to you.

## Any other matters of governance interest

- 23 Alexandra Park, Highgate Wood and Northumberland Park schools remained as fixed assets in the accounts after the Council disposed of them through a PFI agreement. This error was identified by the Council in 2006 and adjusted through a prior year adjustment in the 2005/06 financial statements.
- 24 In previous years, we have reported that the Council has made progress in improving its accounting arrangements and production of supporting working papers. The Council's process for preparing its accounts this year has been affected by the bringing forward of the accounts' deadline to 30 September. It is not expected that the deadline will be moved further forward in 2006/07 (after three successive years where the deadline has been brought forward by a month), which gives the Council an opportunity to review its accounts' processes and work with us to regain the momentum of recent years.

### **Recommendations**

*R2 The Council should continue to review its closedown processes so that relevant deadlines are met and working papers continue to improve.*

- 25 We are required to report any other matters that we believe to be of governance interest. We report these matters in Table 2.

### **Table 2 Other matters of governance interest**

There are a number of other matters that we would like to bring to the attention of those charged with governance

<b>Area</b>	<b>Auditor responsibility</b>	<b>Impact</b>
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	The SIC complies with CIPFA guidance and is consistent with the financial statements and our understanding of the Authority.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	The Authority is currently completing its consolidation pack and will submit it in due course for audit.

- 26 Finally, we have received further correspondence from members of the public during the year. Whilst there are currently no significant issues arising from this correspondence to bring to your attention, our work remains ongoing in two areas concerning expenditure on mortuaries (where we have received a related objection to the 2004/05 financial statements) and the New Deal for Communities Scheme for the Bridge. As a result, we have not issued certificates to conclude the audits for 2004/05 and 2005/06.

### **Letter of representation**

- 27 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The letter is required to be signed by the accountable officer of the Council and should be acknowledged by those charged with governance. As the letter needs to be signed by the Council as close as possible to the opinion date, the letter of representation is included at Appendix 6 as a draft.

### **Next steps**

- 28 We are drawing these matters to the General Purposes Committee's attention so that:
- you can consider them before the financial statements are approved and certified; and
  - the representation letter can be signed on behalf of the Council and those charged with governance before we issue our opinion on the financial statements.

## Use of resources

### Value for money conclusion

- 29 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). Our value for money conclusion is given on the arrangements in place in the Council during 2005/06. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements.
- 30 Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 31 Issues arising from our use of resources assessment in 2005 were reported in our Audit and Inspection Letter issued in January 2006. Our 2006 use of resources assessment is currently in progress and will be reported to the Council in December 2006. We are not aware of any issues arising from this work which could affect our conclusion on 2005/06.
- 32 We have also drawn on other relevant work when forming our conclusion. This includes the corporate assessment undertaken in July 2006 (to be reported October 2006), our 2006 work on data quality arrangements and performance indicators, as well as our follow up work on Tech Refresh, which is continuing.
- 33 We have now completed our work in order to form a conclusion in relation to value for money. We expect to issue an unqualified value for money conclusion and a draft is attached at Appendix 5. The key findings from our work are summarised in the table and text overleaf.

**Table 3 Value for money arrangements**

The Council satisfied all the criteria

Criteria	Satisfied?
The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	✓
The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	✓
The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	✓
The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	✓
The body has put in place arrangements to maintain a sound system of internal control.	✓
The body has put in place arrangements to manage its significant business risks.	✓
The body has put in place arrangements to manage and improve value for money.	✓
The body has put in place a medium-term financial strategy, budgets and a capital programme that is soundly based and designed to deliver its strategic priorities.	✓
The body has put in place arrangements to ensure that its spending matches its available resources.	✓
The body has put in place arrangements for monitoring performance against budgets.	✓
The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	✓
The body has put in place arrangements for the management of its asset base.	✓

*Audit Commission*

## Monitoring and scrutiny of performance

- 34 The Council's arrangements for monitoring and scrutinising performance are generally satisfactory. However, our review of the Council's allocations and lettings service, undertaken as part of the voluntary improvement review of the Council's preparations for its ALMO, has identified the need for urgent improvements. A number of recommendations have been made to assist the Council. We will review progress as part of our ongoing audit and inspection work.

### **Recommendation**

*R3 Improve the quality of the Council's arrangements for allocations and lettings.*

## Data quality

- 35 Reliable, accurate and timely data is a key requirement to support decision making and measuring performance. As part of the 2006/07 Audit and Inspection Plan, we are reviewing the Council's arrangements to manage data quality alongside our audit of the 2005/06 best value performance indicators (BVPIs). This work is currently in progress. However, our initial findings are that the Council has enhanced its focus on data quality and that overall arrangements are adequate. We will be providing a detailed report of our findings to the Council in December 2006 following the completion of testing to support the 2005/06 BVPIs.

## Budget setting and monitoring

- 36 The Council continues to manage its spending within available resources. The reports to the Executive and General Purposes Committee in June 2006 showed an underspend for 2005/2006 of £3.5m, principally as a result of underspending on service department expenditure. The General Fund balance at 31 March 2006 has increased to £12.4m.
- 37 The Council is continuing to face a significant challenge in delivering its priorities within a tight financial environment. The most recent report to the Executive in September 2006 set out the position to the end of June 2006. This projects a net overspend for 2006/07 of £3.5m, principally reflecting financial pressures in service departments and shortfalls in savings in procurement. Remedial action is under way and further proposals to generate savings are being prepared.

### **Recommendation**

*R4 Maintain budgetary control to deliver financial balance for 2006/07 and the medium to longer-term.*

## Internal control and risk management

- 38 Our review of the Tech Refresh project reported in our last Annual Audit and Inspection Letter identified serious failures in the Council's governance arrangements in respect of that project. The Council has been acting to address the issues arising and reported its action plan in January and February 2006. We have carried out an initial follow-up review, as part of the Audit and Inspection Plan for 2006/07. On the basis of that review, a robust framework for project management has been introduced in response to our findings and clear lines of accountability and responsibility now exist. We will undertake further follow-up work later in financial year 2006/07. Our work on the Council's overall risk management arrangements has also identified progress in embedding these Council-wide.

### **Recommendation**

*R5 Continue to implement the action plan in response to our review of the Tech Refresh project.*

## Improving value for money

- 39 The 2005 Annual Audit and Inspection Letter highlighted the need for the Council to demonstrate that its high spend on services is commensurate with delivering quality services, and more fully engage managers in understanding cost implications. The Council has continued to develop its approach during 2005/06. Further improvements are being addressed in 2006/07.

### **Recommendation**

*R6 Continue to embed the challenge for value for money Council-wide.*

## Use of auditors' statutory powers

- 40 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 4 below.

**Table 4 Use of statutory powers**

No statutory reports or recommendations have been made

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body	There have been no section 8 reports in respect of the financial year 2005/06.



Issue	Auditor responsibility	Impact
	concerned or brought to the attention of the public.	
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Council under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Council's 2005/06 Best Value Performance Plan was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

## Closing remarks

- 41 This report has been discussed and agreed with the Chief Executive and the Acting Director of Finance. A copy of the memorandum will be presented at the General Purposes Committee on 25 September 2006.
- 42 The report makes a number of recommendations. An action plan is included at Appendix 7.
- 43 The Council has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

**Mike Haworth-Maden**  
**District Auditor**

xx September 2006

# Appendix 1 – Audit responsibilities and approach

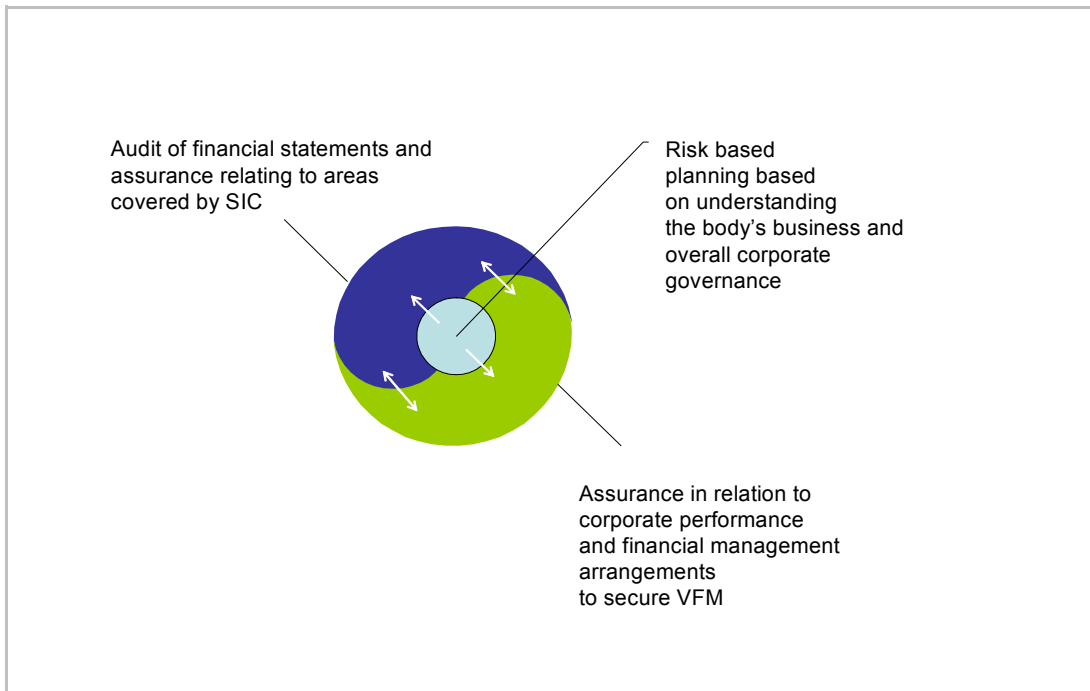
## Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

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**Figure 1 Code of Audit Practice**

Code of practice responsibilities



## **Approach to the audit of the financial statements**

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Council which had most impact on our opinion. These included:
  - the standard of the overall control environment and internal controls;
  - reliance on internal audit;
  - the likelihood of material misstatement occurring from of material information systems; or a material error failing to be detected by internal controls;
  - any changes in financial reporting requirements; and
  - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements.

## **Approach to audit of arrangements to secure value for money**

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
  - corporate performance management; and
  - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
  - the Council's whole system of internal control as reported in its statement on internal control;
  - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
  - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
  - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
  - other work necessary to discharge our responsibilities.

## Appendix 2 – Audit reports issued

**Table 5**

<b>Planned output</b>	<b>Planned date of issue</b>	<b>Actual date of issue</b>	<b>Addressee</b>
Audit and inspection plan for 2005/06	April 2005	April 2005	Audit Committee
BVPP report	December 2005	December 2005	The Council
Indicative ALMO (voluntary improvement work)	March 2006	May 2006	Management
Annual governance report	September 2006	September 2006	General Purposes Committee
Opinion on financial statements	September 2006	TBC	The Council
Value for money conclusion	September 2006	TBC	The Council
Final accounts memorandum	October 2006	TBC	Management
Use of resources assessments	October 2006	TBC	Management

## Appendix 3 – Fee information

**Table 6**

<b>Fee estimate</b>	<b>Plan 2005/06</b>	<b>Actual 2005/06</b>
Accounts*	£316,000	£316,000
Use of resources*	£131,000	£131,000
Total audit fees***	£447,000	£447,000
Voluntary improvement work**	£0	£50,400

\* Estimated outturn

\*\* The voluntary improvement work related to our review of the indicative ALMO (originally planned as an inspection)

\*\*\* The outturn on inspection and grant certification fees will be reported in the Annual Audit and Inspection Letter

## Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required by the standard to communicate following matters to the General Purposes Committee:
  - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Council, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.



## Appendix 5 – Independent auditor’s report to the London Borough of Haringey

### Opinion on the financial statements

I have audited the financial statements and pension fund accounts of the London Borough of Haringey for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer’s responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of London Borough of Haringey and its income and expenditure for the year; and
- the financial transactions of its 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.

I review whether the statement on internal control reflects compliance with CIPFA’s guidance, ‘The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003’ published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of London Borough of Haringey’s corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Introduction and Review of the Year<sup>1</sup>. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the London Borough of Haringey in the preparation of the financial statements, and of whether the accounting policies are appropriate to the London Borough of Haringey’s circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In my opinion:

- the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the London Borough of Haringey as at 31 March 2006 and its income and expenditure for the year then ended; and

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<sup>1</sup>

- the pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31 March 2006, and the amount and disposition of the fund's assets and liabilities as at 31 March 2006, other than liabilities to pay pensions and other benefits after the end of the scheme year.

**Michael Haworth-Maden**  
**District Auditor**  
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xx September 2006

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

### **Council’s responsibilities**

The London Borough of Haringey 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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the London Borough of Haringey is required to prepare and publish a best value performance plan summarising the London Borough of Haringey’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor’s responsibilities**

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of London Borough of Haringey’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, the London Borough of Haringey made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

## **Best Value Performance Plan**

I issued my statutory report on the audit of the London Borough of Haringey's best value performance plan for the financial year 2005/06 in December 2005. I did not identify any matters to be reported to London Borough of Haringey and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

I have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. However, the audit cannot be concluded and an audit certificate issued until I have resolved an objection to the London Borough of Haringey's accounts for 2004/2005. I am satisfied that the amounts involved will not have a material effect on the accounts.

**Michael Haworth-Maden**

**District Auditor**

Audit Commission

1st floor

Millbank Tower

Millbank

London

SW1P 4HQ

xx September 2006

## Appendix 6 – Letter of representation

To: Mike Haworth-Maden, District Auditor

The Audit Commission

1st Floor

Millbank Tower

Millbank

London SW1 4PQ

### **London Borough of Haringey - Audit for the year ended 31 March 2006**

I confirm to the best of my knowledge and belief that, having made appropriate enquiries of other directors of the London Borough of Haringey, the following representations given to you in connection with your audit of London Borough of Haringey's financial statements for the year ended 31 March 2006.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements and for making accurate representations to you.

### **Asset values**

The London Borough of Haringey has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by London Borough of Haringey have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all public members' meetings, have been made available to you.

### **Related party transactions**

I confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties; and
- there is no change to the position regarding single status.

### **Law, regulations and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of London Borough of Haringey.

### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

### **Post balance sheet events**

Since the approval of the financial statements by Members of the General Purposes Committee on 29 June 2006, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of the London Borough of Haringey

Signed

Name

Position

Date

## Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 Improvements should be made to the qualitative aspects of the Council's related party transactions note in the future.					
9	R2 The Council should continue to review its closedown processes so that relevant deadlines are met and working papers continue to improve.					
14	R3 Improve the quality of the Council's arrangements for allocations and lettings.					
14	R4 Maintain budgetary control to deliver financial balance for 2006/07 and the medium to longer-term.					
15	R5 Continue to implement the action plan in response to our review of the Tech Refresh project.					
15	R6 Continue to embed the challenge for value for money Council-wide.					