

London Borough of Haringey

Annual Audit Letter 2011/12

October 2012

Introduction

Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at the London Borough of Haringey ('the Council') during our 2011/12 audit.

The Letter is designed to provide a brief overview of our key messages to the Council and external stakeholders, including members of the public.

The letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

What this Letter covers

This Letter covers our 2011/12 audit, including key messages and conclusions from our work in:

- auditing the 2011/12 year end accounts
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved
- certification of grant claims and returns to various government departments and other agencies.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Key messages

Accounts audit

We received draft financial statements in accordance with the national deadline and the accompanying working papers at the commencement of our work. Following submission of the accounts for audit at the end of June, the accounts underwent technical review and validation by the Council. As a result, an unusually high number of errors were discovered in the draft accounts, over and above the level normally expected at that stage in the process and we were presented with revised statements on 30 August 2012. The adjustments made by management did not have an impact on the reported general fund balance to Cabinet in June.

We issued an unqualified audit opinion on 28 September 2012, meeting the statutory certification deadline.

We recommended a number of adjustments to the draft accounts. Management agreed to make these adjustments which did not result in any change in the Council's General Fund balance.

We identified a number of areas where significant improvements could be made to the processes in place to prepare the accounts including improving the quality of working papers. The extra time needed to audit resubmitted accounts has resulted in additional fees of £32k being charged for the 2011/12 audit. The actions agreed with the Council to minimise the chance of errors occurring in the 2012/13 accounts were included in our Annual Report to those Charged with Governance and we will follow up on progress as part of our 2012/13 audit.

Our main audit conclusions for the year

The 2011/12 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

The Council will be reviewing the circumstances that lead to the level of errors in the accounts and are preparing an improvement plan to address issues identified from this review and the audit. We plan to have an accounts debrief meeting with the Council and feed into the action plan for improvement. We will closely monitor and report progress to the Corporate Committee.

We concluded that the Annual Governance Statement and Explanatory Foreword were consistent with our knowledge of the Council, subject to a small number of immaterial proposed adjustments, which management incorporated into the final versions of the documents.

The Council submitted its draft WGA L Pack for audit on 6 September, which was after the Department for Communities & Local Government (CLG) deadline of 31 July. We were able to complete our work by the certification deadline of 5 October 2012.

We received a formal question from the public regarding the debt outstanding on the disposal of Cranley Gardens and have since responded to this query. We received no other questions or objections in respect of the financial statements for the year ended 31 March 2012 and have certified the audit closed.

In 2012/13 we will discuss future accounting challenges with the Council, including planning for changes to financial reporting requirements, for example, around accounting treatment of schools and of leased assets.

Key messages (continued)

Value for Money audit

An unqualified Value for Money ('VFM') conclusion was also issued on 28 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term. Our overall conclusion was that whilst the Council faces significant financial challenges in 2012/13 and beyond, its current arrangements for achieving financial resilience are robust. This work was completed prior to the final accounts and does not reflect the issues arising from the audit. These issues were considered in determining the VFM conclusion.

	2010/11	2011/12
Financial KPIs for 2011/12	 Green	 Green
Financial planning	 Amber	 Green
Financial governance	 Green	 Green
Financial control	 Green	 Green

Key:  High risk area
 Potential risks and/or weaknesses in this area
 No causes for concern

We also conducted targeted work to ensure that the Council prioritised its resources to take into account budget constraints and whether it delivers value for money in its priority service areas. This work included:

- updating our assessment of key risk indicators
- following up our prior year work on review of personalisation in Adult Social Care
- review of procurement

Follow-up of Review of Personalisation of Adult Social Care

In January 2012 we issued our 'Personalisation in Adult Social Care' report. As part of our VFM work for 2011/12 we followed up this report, looking at progress made against the recommendations raised.

Internal Audit carried out a follow up of the recommendations raised in January 2012 and it was reported to Corporate Committee that seven of the twelve recommendations had been implemented, four were in progress and one partially implemented. Further information was provided to demonstrate that the Council had implemented the recommendations made in the report and this supported our unqualified VFM conclusion.

Review of Procurement

Our work was a high level review of the overall adequacy of 'the Council's procurement organisation and its capabilities to support the Council in achievement of value for money'. From our review we identified areas for improvement but we concluded that the overall arrangements are adequate which supported our VFM conclusion.

Review of North London Waste Authority

The Council and other Councils in London have signed an affordability agreement with North London Waste Authority (NLWA) to fund a waste disposal/treatment scheme. The financial close is due in 2013 for a contract that will run thirty years. As part of our VFM work, we reviewed council reports to ensure that the Council had reviewed the cost and benefit implications of the arrangement as well as any impact on council tax. The Council has limited scope to not participate in NLWA. The NLWA is a statutory body that is subject to its own external audit process. We will continue to review this arrangement to see if it has an impact on the VFM conclusion in future years.

For each of these areas, we concluded that the Council's arrangements were adequate and, through our reporting, provided feedback and recommendations for the Council to further develop arrangements.

We will continue to review arrangements for securing VFM, focusing on key risk areas, as part of our 2012/13 audit and taking into account the findings from the 2011/12 accounts process.

Certification of claims and returns

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010/11 certification work we reported early in 2012 that performance had generally improved against key measures but identified that the Council should work to reduce the number of claims requiring amendment.

We are currently in the process of certifying the 2011/12 grant claims and returns. Once this work is complete we will report in full on the findings of our work in a separate report to the Corporate Committee.

Outputs and fees

Our audit outputs and fees are shown in Appendices A and B.

Acknowledgements

This Letter has been agreed with Council management and will be presented to Corporate Committee on 29 November 2012.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council.

Grant Thornton UK LLP
October 2012

Appendices

A. 2011/12 reports issued

Report	Date Issued
Audit Plan	January 2012
Audit Approach Memorandum	May 2012
Financial Resilience Report	June 2012
Report to Those Charged With Governance (ISA 260)	September 2012
Review of procurement	October 2012
Annual Audit Letter	October 2012
Grants Certification Report	Due December 2012

B. Audit and other fees 2011/12

Audit area	Budget 2011/12	Actual 2011/12
Total Code of Practice fee*	£454,500	£486,500
Certification of grant claims and returns**	£90,500	TBC
Advisory services	£41,600	£41,600

*This includes additional fees of £32,000 for delays experienced completing the accounts audit not budgeted for.

**The quoted fee for grant certification work is an estimate only and will be charged at published hourly rates. The final fee will be included in the grants certification report.



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