

**Haringey** Council

Report for:	Cabinet	Item Number:	
Title:	Annual Audit Letter 2011/12		
Report Authorised by:	<i>J. Parker</i> 7/12/12 Julie Parker, Director of Corporate Resources		
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Ward(s) affected: All	Report for Key/Non Key Decisions:  Key Decision		

## 1. Issues Under Consideration

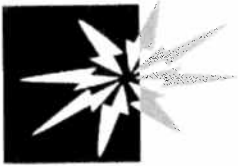
The Annual Audit Letter is part of the formal process of external audit and provides an independent assessment of the Council's position in terms of progress in meeting its strategic objectives.

The purpose of this report is to receive the Annual Audit Letter for 2011/12 from the Council's external auditors, Grant Thornton, and to note the issues raised.

## 2. Cabinet Member Introduction

Grant Thornton, our external auditors, signed-off the Council's Statement of Accounts 2011-12 within the statutory deadlines and without qualification. Furthermore, the auditors have issued an unqualified Value for Money (VFM) conclusion confirming that the Council has continued to ensure proper arrangements are in place to secure economy, efficiency and effectiveness in our use of resources.

Given the financial challenges facing the Council it is more important than ever that we are able to continue to demonstrate that our decision making processes are based on sound principles of delivering Value for Money services.



### **3. Recommendations**

To receive the Annual Audit Letter for 2011/12.

### **4. Alternative Options Considered**

The nature of this report and recommendation is such that alternative options are not applicable

### **5. Background Information**

The Annual Audit Letter for 2011/12 is compiled by the Council's appointed external auditors Grant Thornton. It summarises the conclusions and significant issues arising out of the audit work for the Council in the preceding year. It includes information from the audit of the Council's accounts, the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and the certification of claims and returns.

In terms of the audit of the accounts for 2011/12 the Council received an unqualified audit opinion.

The auditors' Value for Money (VFM) assessment concluded that "the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012".

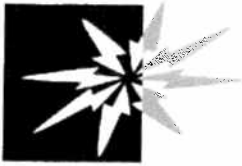
Audit work on the certification of grant claims and returns is ongoing. The outcome of this work will be formally reported to the Corporate Committee in January 2013.

The auditors' findings have been reported previously to the Corporate Committee and actions agreed in response. The Corporate Committee is responsible for monitoring the implementation and progress of the detailed actions, which are summarised in this report.

The Corporate Committee considered the Annual Audit Letter at its meeting on 29 November 2012. The Committee had no comments to make to the Cabinet.

### **6. Comments of the Chief Finance Officer and Financial Implications**

The resource implications for implementing the actions recommended in the Annual Audit Letter have been considered as part of the overall financial and business planning process and are included within the previously approved budget.



**7. Head of Legal Services and Legal Implications**

The Head of Legal Services has been consulted on the content of this report and has no specific comment to make.

**8. Equalities and Community Cohesion Comments**

Not applicable

**9. Head of Procurement Comments**

Not applicable

**10. Policy Implications**

None

**11. Reasons for Decision**

To receive the annual audit letter in accordance with statutory requirements.

**12. Appendices**

Annual Audit Letter 2011/12 – Grant Thornton

**13. Local Government (Access to Information) Act 1985**

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

- Report of the Director of Corporate Resources to the Corporate Committee on 27 September 2012 – Statement of Accounts 2011/12 and Annual Governance Report – to present the statement of accounts and consider the statutory report of Grant Thornton, the Council's appointed auditor
- Report of Grant Thornton to the Corporate Committee on 27 September 2012 – Review of the Council's arrangements for securing financial resilience





Grant Thornton

London Borough of Haringey  
Annual Audit Letter 2011/12

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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](http://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](http://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

## 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.

### 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.

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
<b>Financial KPIs for 2011/12</b>	● Green	● Green
<b>Financial planning</b>	● Amber	● Green
<b>Financial governance</b>	● Green	● Green
<b>Financial control</b>	● Green	● Green

● 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.

### **Acknowledgments**

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

We would like to 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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