

Responses from Management:

Auditor question	Response
<p>What do you regard as the key events or issues that will have a significant impact on the financial statements for 2013/14?</p>	<p>2013/14 is the first year that the Council has operated under the government's new Business Rates Retention Scheme. In terms of the effect on the Council's SoA this will represent a change from collecting and passing Business rates to the Government under an agency arrangement (and receiving redistributed NNDR as part of Formula Grant) to the operation of a Business Rate Collection Fund similar to Council Tax.</p> <p>The Council also assumed responsibility and risk for implementing a local Council Tax Reduction Scheme; this will affect the balance of the Council's Taxbase and associated income compared to having a previous higher taxbase with Council Tax benefit grant being received from the government.</p> <p>New Public Health responsibilities passed to the Council in April 2013 along with a significant new grant; the development of joint plans under the review of the Health and Wellbeing Boards are a key part of these reforms with future funding streams being partly dependent on achieving successful outcomes.</p> <p>The Chief Executive has changed the way that the Council is configured with a move away from large Directorates to more agile service groupings led by autonomous Directors and Assistant Directors. Strategic Direction is given by a new Senior Leadership Team and four key transformational programmes have been established.</p> <p>There was a major Leisure Outsourcing project achieved during the latter part of 2012/13 which primarily will impact the 2013/14 accounts.</p> <p>Settlement was reached in the year on a high profile employment tribunal case which will require disclosure in the 2013/14 SoA.</p>
<p>Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>We have started to account for our housing rental income on a daily (365) rather than weekly (53) basis.</p> <p>Changes required to the accounting arrangements for the Local Government Pension Scheme (LGPS) will affect our accounting policies and the presentation of information in the financial statements.</p>
<p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>As described above the implementation of a new Business Rate Retention Scheme and localisation of the Council Tax Benefit system</p>

	<p>will change the accounting arrangements for some of the Council's major income sources. In addition the transfer of Public Health responsibilities and associated grant funding will have an impact on the way that the Council's resources are spent.</p> <p>A range of welfare reforms are also expected to impact on areas such as rent arrears, homelessness and the use of temporary accommodation.</p> <p>Changes to the Local Government Pension Scheme will require restatement of prior year data and changes to the information in the Council's core statements and disclosure notes.</p>
How would you assess the quality of the Council's internal control processes?	Effective. An annual review of the Council's key financial systems, covering key risk areas and controls to manage the identified risks, is undertaken including walkthrough and compliance testing of controls on a sample basis. All key financial systems achieved a 'substantial' assurance rating from internal audit in 2013/14 and no high priority recommendations remain outstanding.
How would you assess the process for reviewing the effectiveness of internal control?	Effective. The annual programme of audit work is agreed with Grant Thornton to ensure both internal and external audit requirements are met. Other key risk areas are included in the risk based annual audit plan, which is discussed and agreed with the Chief Financial Officer, all senior managers and external audit to ensure coverage is appropriate to mitigate the risks. No significant issues relating to internal control were raised by internal or external audit during 2013/14.
How do the Council's risk management processes link to financial reporting?	<p>The Chief Financial Officer assesses the adequacy of the Council's reserves as part of the budget setting process and taking into account an assessment of known and unknown risks.</p> <p>The Council maintains a number of earmarked reserves as well as general (un-earmarked) reserves and contingencies.</p> <p>In addition the Council's regular budget monitoring process assesses performance against the agreed budget and provides an opportunity to identify and quantify emerging risks and seeks formal approval to measures aimed at addressing those risks.</p>
How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	The Council has a corporate fraud risk register in place which reviews the key fraud risk areas – emerging fraud risks are identified via the Audit Commission fraud surveys, feedback from attending regular public sector counter-fraud briefings, and review of previous audit work.

	<p>The fraud risk register is reviewed quarterly by Internal Audit and used to plan the pro-active counter-fraud work and highlight any emerging trends. The risk of fraud and associated controls are discussed monthly as part of the Council's Statutory Officers Group.</p> <p>The Council has a Counter-Fraud Policy and Strategy, together with a Fraud Response Plan, Whistle Blowing Policy and HB Fraud Sanctions Policy, all of which have been approved by the Corporate Committee. The policies are all published on the website together with the free and confidential telephone and email reporting details. The Corporate Anti-Fraud Team and HB Fraud Investigation Team undertake pro-active and reactive investigations into fraud. Regular press releases are done on the outcomes of fraud cases. The Insurance Team also investigates claims against the Council for any potential fraud and has implemented a 'risk flag review' process which has been successful in repudiating and prosecuting a significant fraudulent claim on behalf of Homes for Haringey.</p>
What has been the outcome of these arrangements so far this year?	Quarterly reports are made to the Corporate Committee by the Head of Audit on investigations into fraud and the outcomes, plus the Committee is responsible for reviewing and approving the Anti-Fraud Strategy.
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>We have focussed attention on the Council's Key Financial Systems and in particular those that generate large volumes of transactions, large cash transaction or in relation to the Council's banking arrangements. Key Financial Systems are considered annually as part of the internal audit plan which is risk based and all have gained substantial assurance.</p> <p>We also consider and mitigate the potential for fraud to take place through the related party transaction disclosure process and procurement fraud is considered through the Corporate Declaration of Interest forms.</p>
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	The details of all whistle blowing reports made are included in the quarterly internal report to the Corporate Committee.
Have any reports been made under the Bribery Act?	No
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The Council has a corporate fraud risk register in place which reviews the key fraud risk areas and is reviewed quarterly by Internal Audit. The risk register is used to plan the pro-active counter-fraud work and highlight any emerging

	<p>trends. The risk of fraud and associated controls are discussed monthly as part of the Council's Statutory Officers Group.</p> <p>The Corporate committee's responsibilities cover audit and fraud and part of this includes reviewing and approving the Council's policies on Anti-Fraud, whistle blowing, and risk management.</p> <p>The Committee gets relevant reports on a quarterly basis and the reports cover all investigations which include cases of actual fraud and whistleblowing reports which have been received.</p>
<p>As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?</p>	<p>Regular dialogue takes place with senior managers across the Council by the Head of Audit on all internal audit work, including fraud cases. All cases of actual fraud are reported to senior managers (at Assistant Director level or above) in order to advise them of breaches of the Council's code of conduct by staff, and recommended action to address the breach.</p> <p>Reports on the outcomes of pro-active counter-fraud work are provided on a regular basis to senior managers and ongoing liaison with operational officers takes place to ensure all suspected cases are followed up – latest tenancy fraud work is also reported to Cabinet Member responsible for Housing.</p> <p>Head of Audit attends s151 Officer's Management Team meetings.</p> <p>Reports to Corporate Committee are made on a quarterly basis.</p> <p>Regular reminders are included in newsletters to all staff regarding expected standards of behaviour and how to report suspected fraud.</p>
<p>What are your policies and procedures for identifying, assessing and accounting for litigation and claims?</p>	<p>All claims made against the council's insurance policies are managed by the in-house insurance team. The team use external claims handlers to assist with complex and injury related claims, all other claims are dealt with in-house. The Council has accepted the fist £500k risk for each and every claim made against it and uses its internal insurance fund to manage the claims.</p> <p>The Head of Audit & Risk Management advises the s151 Officer of any claims which may impact on the Council's financial statements. The s151 Officer will discuss relevant matters with Grant Thornton during the closure process in particular in relation to the contingent liabilities note to the final accounts.</p> <p>Directors complete an annual assessment of governance processes in their directorates including any litigation and claims issues.</p>

Is there any use of financial instruments, including derivatives?	No
Are you aware of any significant transaction outside the normal course of business?	We have received repayment, following auction, of monies previously held in Icelandic banks and subject to the administration process.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	All the reports from the Head of Audit to the Corporate Committee have details of the investigation work completed by each of the audit teams. These reports are reviewed on a quarterly basis and the reports cover all investigations which include cases of actual fraud and whistleblowing reports which have been received. The s151 Officer is also alerted separately to any suspected irregularities or fraud. The quarterly audit report has details of staff suspended and disciplinary actions taken.
Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?	The annual internal audit programme of work reviews compliance with local and statutory regulations and covers the key risks facing the Council. Advice and guidance is provided to officers across the Council by Legal Services and Corporate Procurement departments on specific issues. Directors complete an annual assessment of governance processes in their directorates including compliance with relevant laws and regulations. No significant issues of non-compliance have been identified.
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	No
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	At this stage of the closure of accounts process, it is not yet known which items in the accounts will require a significant estimate. However, once known, the basis for any estimates used will be discussed and agreed with the auditor.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	The council has adequate reserves and the Chief Financial Officer has formally reviewed them as part of the budget setting process, confirmation of this is included in the report to Council. The council has set a balanced and legal budget for 2014/15. The capital

	programme has been reviewed for expenditure and income and is balanced. There are strong revenue collection arrangements in place and robust controls on Treasury Management functions.
What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?	The Chief Financial Officer assesses the adequacy of the Council's budget annually including consideration of the adequacy of reserves. Budget monitoring reports provide on-going monthly assurance and any significant variation from the approved budget. The Chief Financial Officer has a statutory duty to report to the Council under S114 of the LGFA 1972 if, inter alia, they believe that the Council's going concern status is likely to be compromised.
Can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Insurance use external solicitors (a Panel of five firms appointed via the Consortium tender process) as part of the claims management processes – only deal with claims. Legal Services have used external counsel too to provide specialist advice on a number of areas.
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Professional valuers have been used to carry out non-current asset valuations. The Transformation Programmes have commissioned a range of professional advisors with experience of delivering similar programmes of work elsewhere e.g. regeneration advisors, Children's Social Care advisors (IMPower) Business and Customer Service processes (Agilysis).
Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	Not to the Chief Financial Officer.