

The Audit Plan for London Borough of Haringey

Year ended 31 March 2015

February 2015

Paul Dossett

Partner

T 0207 728 3180

E paul.dossett@uk.gt.com

Paul Jacklin

Manager

T 0207 728 3263

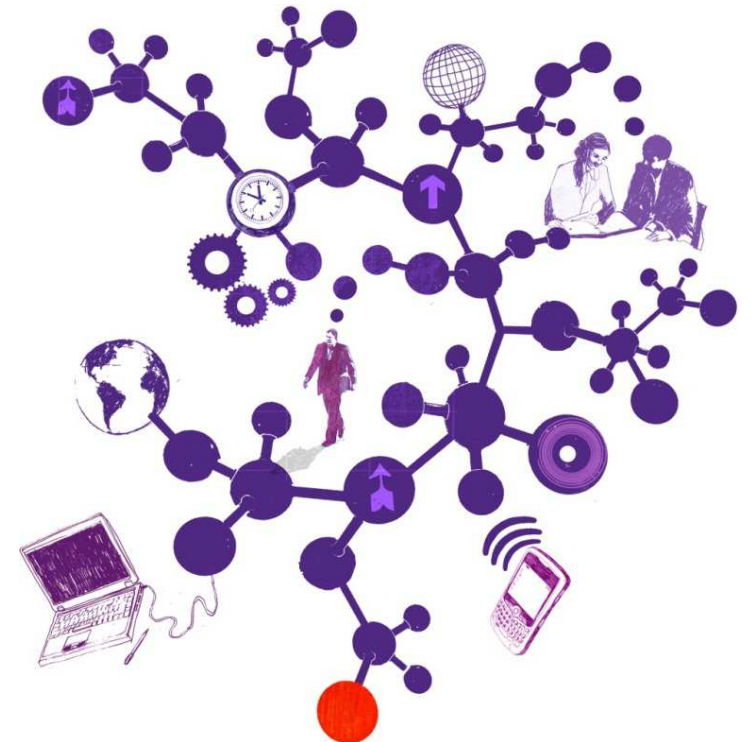
E paul.jacklin@uk.gt.com

Rajiv Bissessur

Audit Executive

T 0207 728 3241

E rajiv.bissessur@uk.gt.com



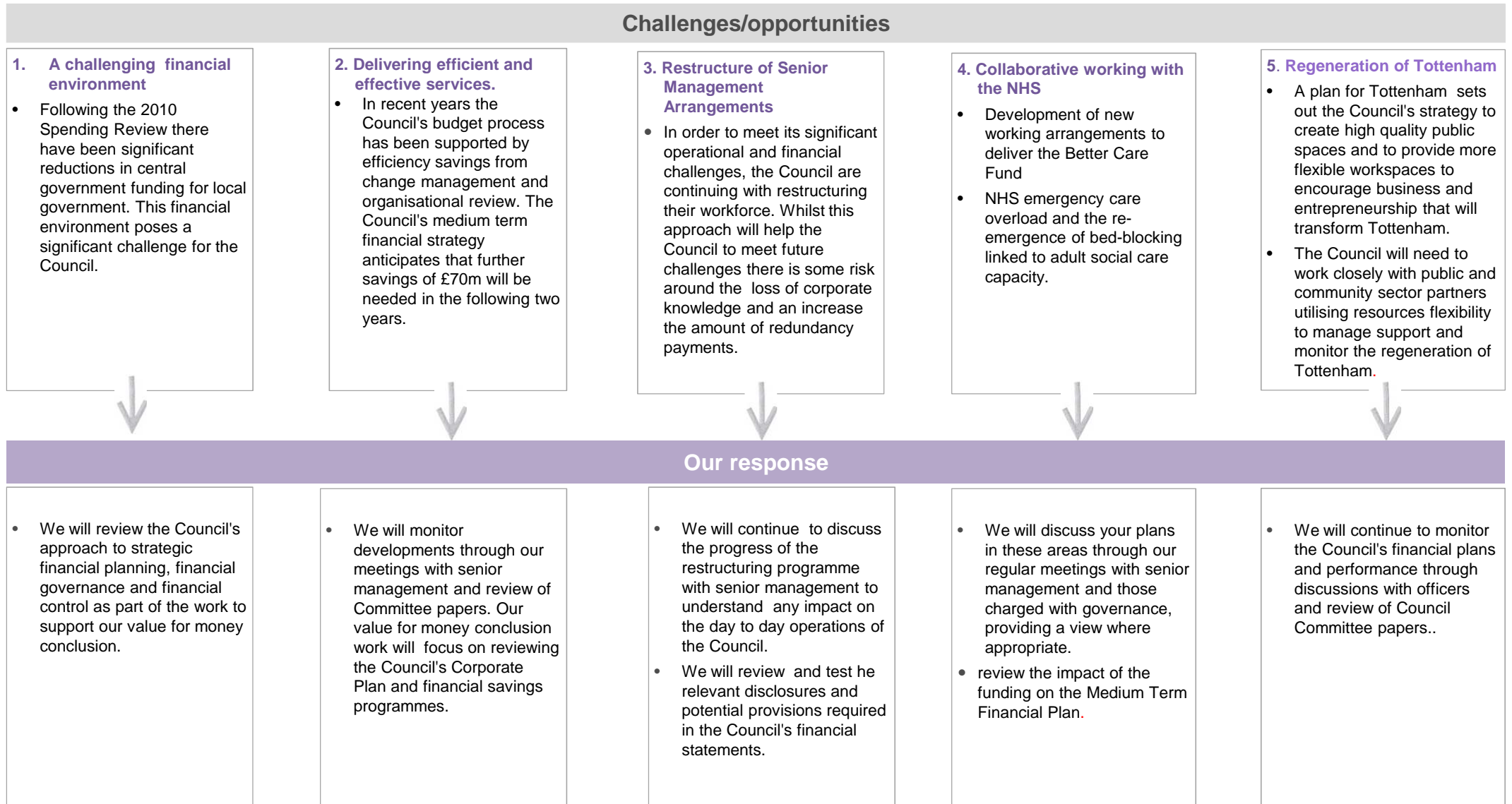
The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
1. Understanding your business	4
2. Developments relevant to your business and the audit	5
3. Our audit approach	6
4. Significant risks identified	7
5. Other risks	8
6. Group scope and risk assessment	10
7. Value for Money	11
8. Results of interim work	12
9. Key dates	14
10. Fees and independence	15
11. Communication of audit matters with those charged with governance	16

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Changes to the recognition of school land and buildings on local authority balance sheets
- Adoption of new group accounting standards (IFRS 10,11 and 12)

2. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

3. Better Care Fund

- Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015

4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans
- The Council has encountered challenges implementing a new vendor invoice managing system that has led to a backlog of payments to the Council's suppliers

5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- schools are accounted for correctly and in line with the latest guidance
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion
- We will monitor the Council's progress addressing the backlog of payments and will ensure that we sufficiently test any increase in year end creditors as part of our substantive financial statements testing

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach

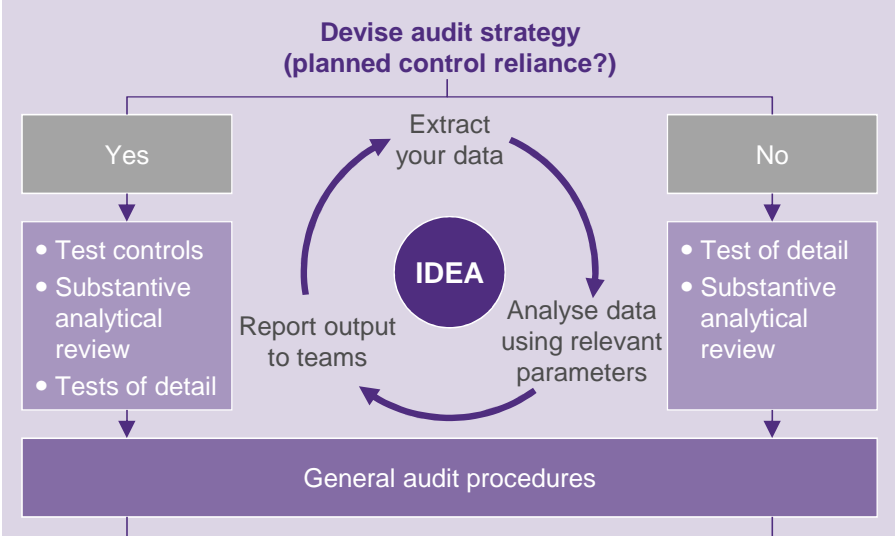
Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

- * Understanding the environment and the entity
- * Understanding the business
- * Understanding management's focus
- * Evaluating the year's results

Inherent risks
 Significant risks
 Other risks
 Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material^a respects with the CIPFA Code of Practice framework using our global methodology and audit software



Note:
 a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.



Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at London Borough of Haringey, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including London Borough of Haringey mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of journal controls and early discussion of accounting estimates, judgements and decisions made by management. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that controls were operating in accordance with our understanding. No issues were identified as a result of this work. <p>Further work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation between the subsidiary creditor payments system and the general ledger. We will complete substantive testing on a sample of invoices and goods receipt notes and other confirmations to ensure that transactions have been recognised. We will undertake cut-off testing to determine whether expenses are recorded in the correct period.
Employee remuneration	Employee remuneration and accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed a walkthrough to gain assurance that controls were operating in accordance with our understanding. No issues were identified as a result of this work <p>Further work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation between the payroll system and the general ledger. We will complete monthly trend analysis of payments recognised. We will agree year end-payroll creditors to the payroll system and HMRC returns. We will complete substantive testing on a sample of employees to verify that payments are in accordance with Human Resources records.

Other risks identified (continued)

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none">• We have performed a walkthrough to gain assurance that controls were operating in accordance with our understanding. No issues were identified as a result of this work. <p>Further work planned:</p> <ul style="list-style-type: none">• We will review the reconciliation between the housing benefits system and the general ledger.• We will complete the initial DWP certification testing of housing benefits , including analytical review and verification of benefits awarded on a sample basis.• We will substantively test Council Tax Support payments .

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Components	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Alexandra Park and Palace Trust	No	Analytical	We have not identified any specific risk in relation to the transaction cycles. We have been liaising with the Council to ensure that the audit report of the Alexandra Park and Palace Trust is signed off in a timely manner to prevent any delay to the group audit.	We will seek assurance from the audited accounts of Alexandra Park and Palace Trust. We will review the financial statements and findings from the audit of the Alexandra Park and Palace Trust. We will check the financial statements have been correctly consolidated.
Homes for Haringey Ltd	Yes	Targeted	We have not identified any specific risk in relation to the transactions cycles. We have been liaising with the Council to ensure that the audit report of the Homes for Haringey is signed off in a timely manner to prevent any delay to the group audit.	We have contacted the auditors of the Homes for Haringey to obtain their view on current risks. We will consider these as part of our audit planning. We will carry out a review of the financial statements and the findings from the audit of the Homes for Haringey. We will check that the financial statements have been correctly consolidated.

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Follow up recommendations from the previous year audit.
- Update our understanding of the Council's arrangements in respect of financial performance, financial governance, strategic financial planning and financial control and report any weaknesses identified to the Council.
- Review the Council's Corporate Plan, Medium Term Financial Strategy focussing on savings programmes
- Consider any reports issued by regulators (e.g. OFSTED) to ensure that potential impacts are being

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

Results of interim audit work

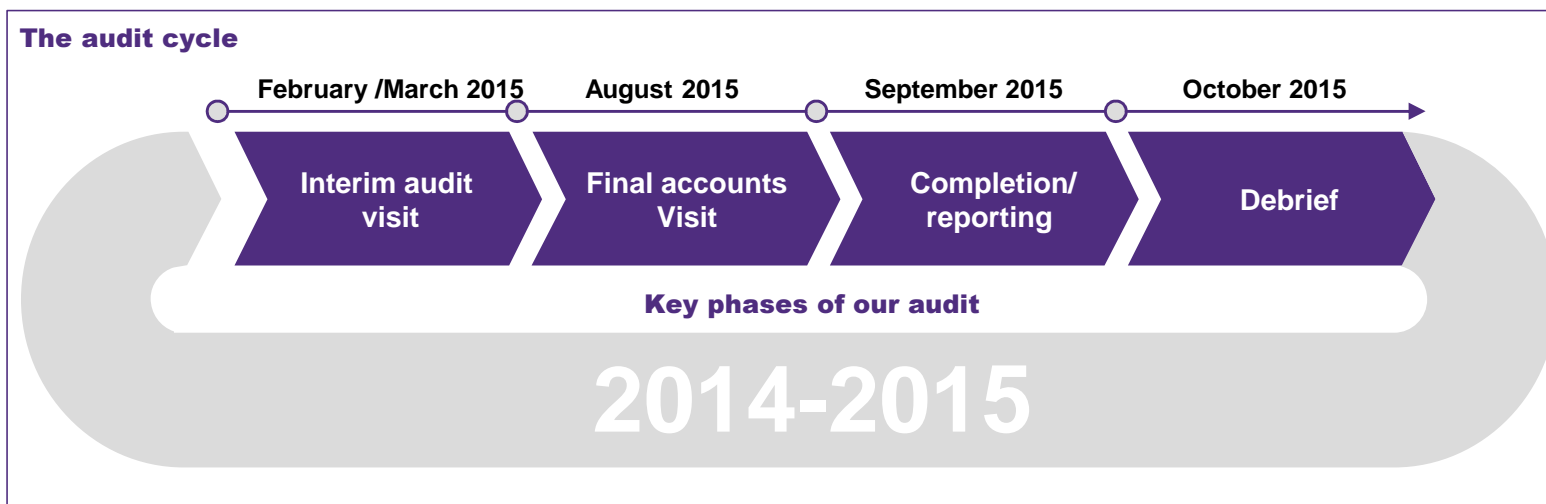
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.	Our review of internal audit work to date has not identified any weaknesses which impact on our audit approach A review of the internal audit's reports on the Council's key financial systems will be undertaken once these are finalised and any significant findings will be incorporated in our audit approach.
Walkthrough testing	We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements

Results of interim audit work cont'd

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'large' and or 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>No significant issues were identified from the review of journal policies and procedures.</p> <p>We will gain assurance over the appropriateness of the journal transactions processed by reviewing individual entries which have been processed in the production of the financial statements as well as those used throughout the year.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. We will perform testing of journal entries for the remainder of the financial year as part of our year end work on the Council's financial statements.</p>
Early substantive testing	<p>To date we have undertaken early substantive testing on</p> <ul style="list-style-type: none"> • Non Grant Revenue for the first nine months of the financial year. • Payroll transactions for the first 10 months of the financial year. 	<p>No significant issues were identified from our early substantive testing. The transactions have been recognised in accordance with our expectations and posted to the appropriate ledger codes.</p> <p>We will perform testing on non grant revenues and payroll transactions for the remainder of the financial years as part of our year end work on the Council's financial statements.</p>

Key dates



Date	Activity
January 2015	Planning
February 2015	Interim site visit
March 2015	Presentation of audit plan to Corporate Committee
August 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Assistant Director of Finance and Chief Accountant
September 2015	Report audit findings to the Corporate Committee
By 30 September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	272,700
Grant certification	45,900
Total fees (excluding VAT)	318,600

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
Teachers Pensions Claim Certification	2,260
Decent Homes back funding claim	4,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan 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.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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