

The Audit Findings for London Borough of Haringey

Year ended 31 March 2015

September 2015

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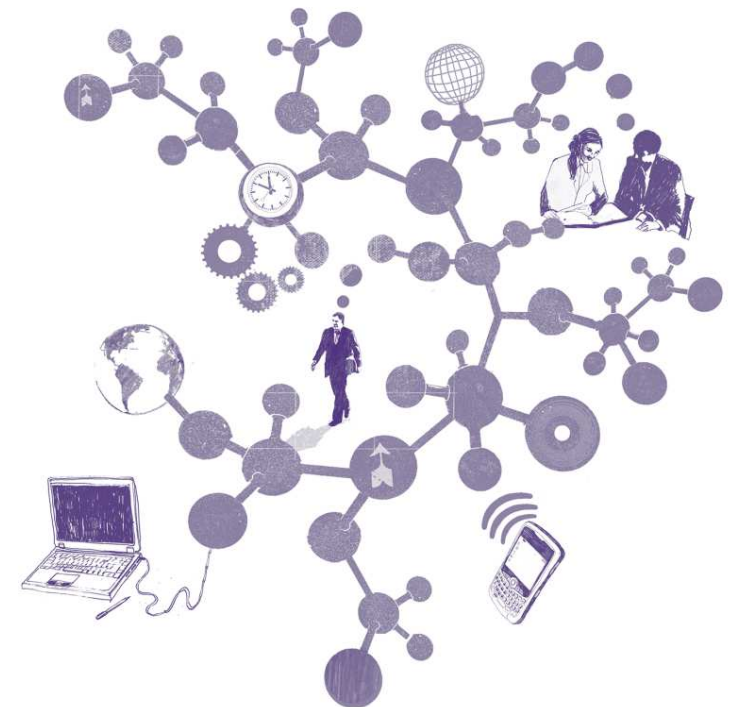
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London Borough Haringey
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September 2015

Dear Member of the Corporate Committee

Audit Findings for London Borough of Haringey Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of London Borough of Haringey, the Corporate Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with the Chief Operating Officer and the Assistant Director of Finance.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Paul Dossett

Partner

Chartered Accountants

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of London Borough of Haringey Council's (the Council) group and Council financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the group and Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2015. Our audit is substantially complete although we are finalising our work in the following areas:

- substantive testing of debtor balances
- review of the sample of 60 housing benefit cases
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- completion of Whole of Government Accounts
- obtaining signed audited financial statements for Homes for Haringey.

Key issues arising from our audit

Financial statements opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the group and Council's financial statements are:

- The Council provided us with a good set of financial statements and working papers by the specified deadline.
- The quality of information supporting the transactions and balances within the financial statements has proven to be robust.
- Responses to audit queries and requests for further supporting information were received on a timely basis.

We have not identified any adjustments affecting the group and Council's reported financial position (details are recorded in section 2 of this report). The draft and final group financial statements for the year ended 31 March 2015 recorded net expenditure of £(87,070)k.

The restatement of prior year balances for the 3 schools that the Council bought back onto the balance sheet did not comply with accounting guidance. The Council has since prepared a 3rd Balance Sheet and taken the 2013/4 notional adjustment out of the Consolidated Income and Expenditure Statement.

The Council has produced a good set of financial statements and working papers by the deadline for 2014/5. The change of the accounts preparation deadline from 30 June to 31 May and auditor deadline from 30 September to 31 July for 2017-18 will be a challenge for the Council. The Council will need to review their closedown timetable with the aim of bringing forward tasks and reviewing areas where a greater use of estimates will be required. The commitment of council officers outside of central finance to the accounts process will also be crucial in assisting with earlier closedown. The Council needs to start planning for this change now and should aim to achieve a sign off of its 2015-16 audited financial statements by the end of August for next year.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We draw your attention in particular to the following control issues identified:

- misstatements within schools bank account reconciliations
- aged creditor and debtor balances that need to be considered for writing off/back.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Operating Officer and the Assistant Director of Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Operating Officer, the Assistant Director of Finance and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Corporate Committee on 22 June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 22 June 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"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 (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition.</p>	<p>We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan.</p>	<p>Our audit work including testing of material revenue streams and grant funding has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls.</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • completed substantive testing on a sample of invoices and other confirmations to ensure that transactions have been correctly recognised • cut-off testing to determine that expenses are recorded in the correct period. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • reviewed the reconciliation between the payroll system and the general ledger. • completed a monthly trend analysis of payments recognised. • agreed year end-payroll creditors to the payroll system and HMRC returns. • undertaken substantive testing on a sample of employees to verify that payments are in accordance with Human Resources records. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • reviewed the reconciliation between the housing benefits system and the general ledger. • substantively test Council Tax Support payments. 	<p>We are reviewing the initial DWP certification testing of housing benefits, including analytical review and verification of benefits awarded on a sample basis.</p> <p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p>



Group audit scope and risk assessment

ISA (UK&I) 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.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Alexandra Park and Palace Trust	Yes	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 have obtained the audited financial statements of Alexandra Park and Palace Trust and the auditor's report. We have checked that transactions with the Council have been appropriately accounted for in the compilation of the group accounts.	Our audit work has not identified any issues in respect of the work performed.
Homes for Haringey	Yes	Targeted	We have not identified any specific risk in relation to the transaction cycles. The auditors for Homes for Haringey are proposing to sign the opinion on 29 September 2015 following adoption of the accounts at the board meeting on 28 September 2015.	We have obtained the draft financial statements of Homes for Haringey and the auditor's report. We have checked that transactions with the Council have been appropriately accounted for in the compilation of the group accounts.	Our audit work has not identified any issues in respect of the work performed. We are currently awaiting the signed audited accounts.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Income is accounted for in the year the activity takes place, not simply when the cash is received. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. 	<ul style="list-style-type: none"> The Council's income recognition policies have been strengthened in the final set of financial statements in relation to income recognition in relation to HRA rental revenues, council tax and business rates revenues Our testing of government grants and contributions and other income has not identified any instances of improper revenue recognition 	 Green
Estimates and judgements	<p>Critical judgements include:</p> <ul style="list-style-type: none"> Not recognising Alexandra Park and Palace on the Council's balance sheet. <p>Key estimates include:</p> <ul style="list-style-type: none"> The valuation and useful lives of property, plant & equipment Pensions liability Provision for the impairment of receivables. 	<ul style="list-style-type: none"> Critical judgements and estimation uncertainties are disclosed in notes 2 and 3 of the financial statements and are in line with the requirements of the Code. We have obtained assurances from the external valuer, that asset valuations and impairments are based on reasonable assumptions and that the depreciation basis is reasonable. Pension fund valuations and settlements have been agreed to the actuary reports. We have undertaken sufficient work to be able to place reliance on the work of the actuary. We have gained assurance that other key areas such as debt provisions and accruals are true and fair. 	 Green




Assessment

 Marginal accounting policy which could potentially attract attention from regulators


 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements - local authority maintained schools premises	The 2014/15 Code of Practice introduced changes to the application of accounting rules for local authority maintained schools. The Council has reviewed its relationship with all voluntary aided and foundation schools and identified that three of these schools fall within the scope of the changes. As a result St Mary's Infant, St Aiden's and Fortismere Schools have been brought on to the Council's Balance Sheet.	<ul style="list-style-type: none"> We are satisfied with the processes the Council has undertaken to identify and value the three schools that need to be recognised on the Council's balance sheet. The Council has amended their accounting treatment for these schools to comply with the Code requirements. 	 Green
Going concern	The Council have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.




	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Corporate Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the PWLB, the Council's bank and counterparties with whom the Council has placed investment deposits. All of these confirmations positively stated the balances included in the Council's financial statements.

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Housing Benefit Expenditure as set out on pages 9-11 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	The Council continues to provide 100% for debt over 2 years old. There remains over £33m of debt that is over 2 years old which the Council is still pursuing, but is still not being collected. If these debtors genuinely will not be collected the Council need to consider writing these balances off.	Review all debtors over 2 years old and write off amounts where it is considered that these will not be collected.
2.	 Deficiency	From a sample of 25 school bank reconciliations, we identified 6 schools where items (net value of £142k) within the schools cash book had not been correctly treated on the reconciliations.	Undertake a thorough review of all schools bank account reconciliations as part of the Council's year end accounts processes.
3.	 Deficiency	In December 2014 the Council implemented a vendor invoice managing system on ONE SAP. The implementation had some teething issues caused by insufficient training of all staff, the email system to inform managers to approve purchase orders was not set up properly and outdated hardcopy invoices were scanned onto the system all of which did not require payment. These factors contributed to a backlog of approximately £30m worth of invoices that need paying.	Review the lessons from the implementation of the vendor invoice managing system on ONE SAP and apply these to any future system changes.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> In the prior year the Council were unable to locate three member of staff employment contracts. Without signed contracts in place there is a potential risk that the Council are not protected if any employment disputes arose. 	<ul style="list-style-type: none"> HR has undertaken a review of the recruitment process including contracts and team roles. All recruitment activity is handled by one team which has put accountability and responsibility for obtaining all appropriate documentation with a single team, thereby improving compliance with process and procedures. The number of documents sent to new employees has been streamlined and guidance of what needs to be signed and returned is clearer. All 26 employees that we sample tested during our audit had a signed contract of employment.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
<p>1 Testing identified that an impairment for HRA land and buildings of £472k was coded to the Comprehensive Income and Expenditure Account when it should have been coded to the Revaluation Reserve and a revaluation gain on HRA surplus assets of £802k has been coded to the Revaluation Reserve, but should have been coded to Comprehensive Income and Expenditure Account.</p> <p>There is no overall impact on the Comprehensive Income and Expenditure Account.</p>	<p>Cr HRA Gross expenditure £472k</p> <p>Cr HRA Gross income £802k</p> <p>Dr Surplus of revaluation of assets £1,274k</p>	<p>Dr Revaluation Reserve £1,274k</p> <p>Cr HRA Reserve £1,274k</p>	<p>Nil</p>

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	£30,452	Schools	<p>The 2014/15 Code of Practice introduced changes to the application of accounting rules for local authority maintained schools. The Council has reviewed its relationship with all voluntary aided and foundation schools and identified that three of these schools fall within the scope of the changes. These schools have been brought on to the Council's Balance Sheet at deemed cost with effect from 1st April 2013. The Council re-stated the prior year balances for the valuation of these schools of £30,452k and credited the Consolidated Income and Expenditure Statement (CIES).</p> <p>As the accounting treatment represents a retrospective change in accounting policy and the amounts are material the Code of Practice requires that that an additional 3rd Balance Sheet at the beginning of the preceding period is required. The Council also applied the adjustment through the Consolidated Income and Expenditure Statement. The Council and has revised the accounting treatment and corrected this in the final set of financial statements.</p>
2 Disclosure	N/A	Note 36 Defined Benefit schemes disclosure note	<p>The Group defined benefit pension scheme disclosures in Note 36 state that actuarial re-measurements gains/(loss) for the group are £(24,321)k for demographic changes, £(186,739)k for changes in financial assumptions and £12,723k for other experience changes – according to the actuarial reports these should be £0k for demographic changes, £(211,686)k for changes in financial assumptions and £13,349k for other experience changes.</p> <p>This is a disclosure issue and there is no impact on the financial statements.</p>
3 Disclosure	£12,201	Financial instruments disclosure	<p>HRA rental arrears debtors and sundry debt bad debt provision (combined total £12,201k) have been incorrectly excluded from financial instruments.</p> <p>This is a disclosure note. There is no impact on the financial statements.</p>

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted no significant issues that impact on our proposed value for money conclusion. The Council has a good track record of delivering its annual budget, but continues to face significant financial challenges in Children's and Adult services. Delivering £69m of savings across the Medium Term Financial Plan remains a significant challenge. There remains a gap of £4.3m across the MTFP which is proposed to be met through the strategic use of reserves.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Transformation Programme that is taking place at the Council is focused around priority-based budgeting and challenging why and how services are delivered. The implementation of the Programme has been on-going through out 2014/15 continuing into the current year. Therefore, it is considered that the Council had adequate arrangements in place in respect of challenging economy, efficiency and effectiveness in prioritising resources and improving efficiency.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>We assessed the Council against five key indicators of financial performance including liquidity, levels of reserves balances, borrowing and budget management. As well as considering the Council's own comparative performance year-on-year, we also consider it in comparison to that of its nearest statistical neighbours based on most recently published data.</p> <p>Despite the significant financial challenges facing the Council particularly in Children's Services and Adult Social care, the Council has successfully managed its overall budget. The overall position on the General fund was an underspend of £2.2m. This position reflects the proposed transfer to reserves of £4.957m. The Council has identified the need to create an earmarked Risk Reserve, which the £2.2m underspend has been transferred to.</p> <p>Following the introduction of the Business Rate Retention scheme the Council is more dependent on local sources of income. The Council has collected 95.93% of Council tax and 97.53% of National Non Domestic Rates exceeding its targets of 94% and 97% respectively.</p> <p>During the year the Council school's reserves remained at £11.7m, The Schools collectively overspent their delegated budgets by £0.013m in 2014/15, but the centrally retained elements of the Dedicated Schools Grant under spent by £0.432m.</p> <p>The Council continues to actively manage its loans and investments portfolio, reducing its borrowing costs through maximising the use of internal borrowing. At the end of the financial year the average interest payable on the Council's borrowing portfolio payable had fallen marginally to 5.33% from 5.45% as at 1 April 2014. The interest paid in 2014-15 of £16.3 million is £1.6 million lower than the previous year</p> <p>The average number of days of sickness per FTE has decreased year-on-year for 2014/5 from 9.08 days to 8.07 days.</p>	Green

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Strategic financial planning	<p>The Council approved a Medium Term Financial Plan (MTFP) that was shaped around its Corporate Plan following an extensive consultation process. A three-year-budget has been set with the proposal to freeze rather than raise Council Tax.</p> <p>The Council has to plan strategically over the next three years with many of the savings proposed requiring significant long-term changes in the way services are delivered. There is no short-term focus by the Council in identifying, addressing and managing the financial challenges .</p> <p>The MTFP takes into account assumptions around demographics and central government funding. The need to deliver £69m of savings over the MTFP remains a significant challenge. There remains a gap of £4.3m across the MTFP which is proposed to be met through the strategic use of reserves. This position remains under review and has the potential to be revised following the 2015 Spending Round later this year. The main risks to the MTFP are:</p> <ul style="list-style-type: none"> • the potential for inflationary pressures to have adverse effects on Council finances • the Council's Transformational Programmes do not deliver the required savings, do not deliver savings quickly enough, or are counteracted by demographic trends particularly in critical areas such as Children's and Adults Social Care • the effects of Welfare reforms and the transfer of Continuing Health Care costs from the NHS to the Council add to funding pressures. • Better Care Fund does not deliver the projected efficiencies and therefore creates further pressures. <p>The Council needs to continue to monitor savings against targets and ensure that their plans are robust and deliverable.</p> <p>The Council has estimated that the social rent reduction will have a £16m reduction in the base rent income over the next 4 years. The Council has updated the modelling for their 30 year business plan to reflect this which will now feed into the Council's Housing Investment Steering Group and Priority 5 Board who will need to make the decision on how to prioritise HRA funds in the future.</p>	Green

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
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The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Financial governance	<p>The Council's senior leadership team has set a clear direction in terms addressing the financial pressures and challenges faced by the Council over the coming years. Since 2011/12, the Council's budget has reduced by £117m, and over the next 3 years the Council must reduce it by a further £69 million. This means a 60 per cent real terms reduction in core funding by 2018-19.</p> <p>The Transformation Programme is focused around meeting this challenge and delivering savings through doing things differently over the coming years. In Adults Services there is a greater need for a cultural shift and transformation to deliver planned budget savings.</p> <p>Councillors have reviewed the savings proposals and taken into consideration the outcomes from public consultation and the views of the Overview and Scrutiny Committee. As a result, some changes have been made, including the removal of £5.7m of saving proposals relating to adult social care packages. However, these changes mean that over the lifetime of the MTFs, there is a need to use £4.3m of the council's reserves.</p> <p>The Council has provided training and support for Councillors to ensure that members are equipped with the necessary skills to focus on the key issues and areas for discussion and challenge.</p> <p>There has been regular reporting of the Council's financial position against its revenue and capital budget through the year which has been provided to cabinet. This provided detail of departmental performance and also performance against the capital plan.</p>	Green

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Financial control	<p>The Council has introduced a new risk-based processes for budget monitoring during 2014/15. Although virements were required to manage the 2014/15 budget, these were approved via the proper processes.</p> <p>The Council continues to demonstrate that it has an adequate financial control environment. This is reflected in the work completed by internal audit on the Council's eleven key financial systems, one receiving full assurance (pension fund investment), nine systems receiving substantial assurance ratings with one (accounts payable) received limited assurance. The Council will need to ensure the lessons learnt from the implementation of the e-invoicing system, Vendor Management System in December 2014 are incorporated into any future system upgrades to prevent any similar instances recurring.</p>	Green
Prioritising resources	<p>The Council approved the Corporate Plan for 2015-18 in February 2015. The plan sets out the significant the challenge of rising demand for services particularly social care and reduced Government funding. The plan sets out the councils key five priorities with clear outcomes and performance targets attached to each priority. The MTFP and budgets are shaped around the delivery of the plan with the Council's funding and its expenditure mapped to its priorities.</p> <p>The Council consulted on the corporate plan and the MTFP and focused on the areas that residents of the borough consider are of highest priority to them. Maintaining good relationships with the Council's key partners, business and residents will be key to ensuring the delivery of the plan.</p> <p>The Council has produced a good set of financial statements and working papers by the deadline for 2014/5. The change of the accounts preparation deadline from 30 June to 31 May and auditor deadline from 30 September to 31 July for 2017-18 will be a challenge for the Council. The Council will need to review their closedown timetable with the aim of bringing forward tasks and reviewing areas where a greater use of estimates will be required. The commitment of council officers outside of central finance to the accounts process will also be crucial in assisting with earlier closedown. The Council needs to start planning for this change now and should aim to achieve a sign off of its 2015-16 audited financial statements by the end of August for next year.</p>	Green

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Improving efficiency & productivity	<p>The need to find the significant level of savings required to balance the budget over the life-time of the Corporate Plan has driven the need for the Council to be more efficient in its activities.</p> <p>The creation of the Corporate Delivery Unit which supports sustained improvement in delivery in areas that have been identified as a priority by the Chief Executive and the Leader such as temporary accommodation, street cleanliness and children's safeguarding. There have been recognised improvements to services in a number of key areas including:</p> <ul style="list-style-type: none"> • Number of secondary schools judged as good or outstanding by Ofsted • Street cleanliness and recycling rates • High quality parks and open spaces • Timely processing of planning applications 	Green

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	275,300	275,300
Grant certification on behalf of Audit Commission	45,900	TBC
Total audit fees	321,200	TBC

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 Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Fees for other services

Service	Fees £
Audit related services	
Certification of Teachers' Pensions return	3,500
Housing Capital Receipts Return	3,500
Decent Homes Backlog funding	4,000
Non audit related services	Nil

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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 issues 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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Review all debtors over 2 years old and write off amounts where it is considered that these will not be collected.	Medium	This issue will be raised through the Debt Boards taking place in September and October 2015. Write –offs take place on a quarterly basis and any necessary as a result of the review will be actioned through this route.	Corporate Debt Manager (SSC). October 2015 to March 2016
2	Undertake a thorough review of all schools bank account reconciliations as part of the Council's year end accounts processes.	Medium	As part of the process for bringing forward the closure of accounts process it is proposed to review the information and training requirements for schools to feed into a revised timetable by December 2015. The Council's Chief Internal Auditor has also been asked to specifically consider this issue in relation to school's processes in those audits taking place from September onwards. Internal Audit will review instructions and guidance provided to schools by Corporate Finance in relation to supplying the required information for the Statement of Accounts; and will confirm processes in place at the school are adequate to ensure compliance with the guidance.	Finance Manager Schools (SSC) October to December 2015 Chief Internal Auditor. September 2015
3	Review the lessons from the implementation of the vendor invoice managing system on ONE SAP and apply these to any future system changes	Medium	A lessons learnt document has been produced and considered by the Council's Statutory Officers Group (SOG). The learning points will be cascaded to all relevant system owners.	October 2015 SOG

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HARINGEY

We have audited the financial statements of London Borough of Haringey for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of London Borough of Haringey, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer ; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of [name of client] as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if :

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority 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 review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, [name of client] put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Paul Dossett
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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29 September 2015



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