

# The Annual Audit Letter for the London Borough of Haringey

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**Year ended 31 March 2015**

October 2015

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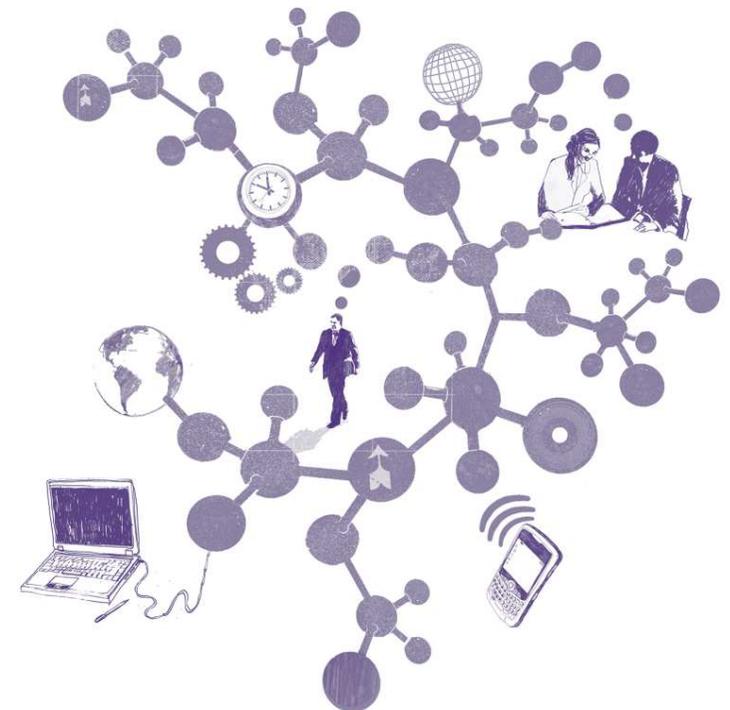
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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at London Borough of Haringey ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 22 June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

This was our last year as the Council's appointed auditors under the current Public Sector Audit Appointment contract. We would like to thank the Council officers and Members for all their assistance over the years. We look forward to maintaining the excellent relationships established at the Council and working with you as appropriate in future.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September 2015 to the Corporate Committee. The key messages reported were:

- 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.
- We did not identify any adjustments affecting the group and Council's reported financial position.
- 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.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

# Key messages

<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.</p> <p>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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<b>Certification of housing benefit grant claim</b>	<p>We are still working on the Housing Benefits grant claim which has an end of November deadline.</p>
<b>Audit fee</b>	<p>Our fee for 2014/15 was £275,300, excluding VAT which was in line with our planned fee for the year. There is no change in the fee from the previous year. Further detail is included within appendix B.</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>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.</p> <p><b>Recommendation:</b> Review all debtors over 2 years old and write off amounts where it is considered that these will not be collected</p>	Medium	<p><b>Management Response</b> This issue will be raised through the Debt Boards 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.</p> <p><b>Responsible officer:</b> Corporate Debt Manager (SSC).</p> <p><b>Due date:</b> October 2015 to March 2016</p>
2.	<p>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.</p> <p><b>Recommendation:</b> Undertake a thorough review of all schools bank account reconciliations as part of the Council's year end accounts processes</p>	Medium	<p><b>Management Response</b> 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</p> <p><b>Responsible officer:</b> Finance Manager Schools (SSC), Chief Internal Auditor.</p> <p><b>Due date:</b> December 2015</p>

## Appendix A: Key issues and recommendations

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
3.	<p>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.</p> <p><b>Recommendation:</b> Review the lessons from the implementation of the vendor invoice managing system on ONE SAP and apply these to any future system changes</p>	Medium	<p><b>Management Response</b> 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.</p> <p><b>Responsible officer:</b> Senior Officer Group</p> <p><b>Due date:</b> October 2015</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	275,300	275,300
Housing benefit grant certification fee	45,900	TBC
<b>Total audit fees</b>	<b>321,200</b>	<b>TBC</b>

## Fees for other services

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

## Reports issued

Report	Date issued
Audit Plan	22 June 2015
Audit Findings Report	24 September 2015
Certification Report	Proposed December 2015
Annual Audit Letter	October 2015



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