LONDON OF BOROUGH OF HARINGEY

REPORT TO THE CORPORATE COMMITTEE

Audit for the year ended 31 March 2016 - Issued to the Corporate Committee - 15 September 2016

PURPOSE AND USE OF THIS REPORT

We present our report to the Corporate Committee which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express 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 nor 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 and providing our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements and provide a value for money conclusion, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Corporate Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

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SUMMARY

AUDIT SCOPE AND OBJECTIVES

- We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to the resolution of matters set out in the outstanding matters section of this report.
- There were no significant changes to our planned audit approach nor were any restrictions placed on our work.
- No additional significant audit risks were identified during the course of our audit procedures subsequent to our audit planning report to you dated February 2016.
- Our materiality levels have not required reassessment since our audit planning referred to above.

AUDIT OPINION

- Subject to the successful resolution of matters set out in the outstanding matters section of this report, which are largely procedural, we anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016.
- We have no matters to report in relation to the annual governance statement.
- We are satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and we anticipate issuing an unqualified value for money conclusion for the year ended 31 March 2016.

KEY AUDIT AND ACCOUNTING MATTERS

- The key matters that have arisen in the course of our audit are summarised below:
  i. The surplus on the provision of services is overstated by an estimated £2.3 million as a result of:
     - an estimated understatement of £4.35 million in the depreciation charged to the Housing Revenue Account (reducing the surplus)
     - an estimated understatement of £2.01 million in the housing benefit overpayments debtor (increasing the surplus)
  ii. The value of Alexandra Park and Palace have now been correctly recognised in the group financial statements, including reporting the prior period adjustment
  iii. The treatment of internal recharges and revaluation gains and losses have been amended resulting in changes to the both the gross income and expenditure figures that offset each other overall.

OTHER MATTERS FOR THE ATTENTION OF THE CORPORATE COMMITTEE

- Our review of the Council's Whole of Government Accounts (WGA) data collection tool is still in progress
- We have received an objection in respect of the borrowing incurred by the Council in the form of Lender Offer, Borrower Offer (LOBOs) and we will be unable to provide our certificate of closure of the audit until this issue has been satisfactorily resolved.
- Our observations on the quality of the audit and our audit independence and objectivity and related to matters are set out in Appendices VIII and V below.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in the 2015/16 audit planning report dated February 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Council's internal control environment and draft financial statements, and we have not identified any additional significant risks.

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	Auditing standards presume that a risk of management override of controls is present in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We reviewed the appropriateness of journal entries and other adjustments to the financial statements. We also reviewed accounting estimates for evidence of possible bias.	We identified a number of journals with no header description. Management investigated this issue and identified 4,499 journals with no header or description of what the purpose of the journal is. Therefore we investigated these items with management and identified that 4,259 of them were automatic journals with no option to add a header or description, whereas 240 of the items were items that a header or description should have been added to. All of these journals were tested and were found to be appropriate journals. We have raised a recommendation to address this weakness. Our work on accounting estimates has not identified any evidence of bias.
REVENUE RECOGNITION	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue. We considered there to be a significant risk over completeness and existence of fees and charges revenue in the Comprehensive Income & Expenditure Statement (CIES). We also consider there to be a significant risk over existence (recognition) of revenue and capital grants income in the CIES there are subject to performance and / or conditions before these may be recognised as revenue.	During our interim visit, we documented the procedures to gain an understanding of the Council's internal control environment for the significant income streams. Our review of revenue recognition has focused on testing completeness and existence of fees and charges, as well as the recognition of revenue and capital grants income, across all service areas within the Comprehensive Income and Expenditure Statement.	No significant control deficiencies were identified within our documentation of system notes and walkthrough of key controls. No issues have been identified from our testing of income streams and year end cut off with regard to the recognition of revenue in the correct financial year.

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
PROPERTY, PLANT AND EQUIPMENT (PPE) VALUATIONS	Councils are required to undertake additional work to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value (or fair values for surplus assets) at the balance sheet date. In order to address this, the Council has obtained year end desktop reviews from its valuers, Wilks, Head and Eve (WHE) to provide indices of the expected movement in its property prices through the year. We have reviewed management's use of these indices and compared them to expected movements using other available information to 31 March 2016 (Gerald Eve report commissioned by the NAO). We assessed WHE's competence, independence and objectivity and we reviewed the valuations provided and the valuation methodology applied. We reviewed the Council's assertion that the non-componentisation of HRA assets does not have a material impact on the depreciation charge for the year, and we compared the potential component allocations and component lives used by other local authorities to estimate depreciation charged on a full componentised basis.	**Valuation of council dwellings** The Council correctly accounted for revaluations as at 1 April 2015. The year-end desktop valuation by WHE indicated that house prices increased by 11.5%. The Council has applied indexation of 11% to be prudent. The concept of prudence does not apply to the valuation of PPE and therefore we consider the valuation to be understated by £5.779 million when compared to the information provided by the valuers (being the additional 0.5% price movement). However we do accept that the estimate is within a tolerable range and therefore do not consider this to represent an error in the financial statements. We agreed with management's assertion that the non-componentisation of HRA assets does not have a material impact on the HRA depreciation charge, resulting in an estimated understatement of £6.6million. Management have subsequently produced an alternative estimate using a different split of land and buildings that is not consistent with the information provided by the valuer. Using this estimate indicates that the understatement of depreciation is lower at £2.1 million. We do not consider this variance to be trivial, therefore we have included this as an unadjusted misstatement in Annex II, in the middle of this range at £4.35 million. Although this potential error is not material, there is a risk that it could become material in future years, and will become more important after the ending of the transitional period when depreciation will become a proper charge that will impact on rents. Management should fully document evidence to support that the depreciation charge for HRA assets remains materially accurate despite the non-componentisation, and this calculation should be reviewed on an annual basis. **Valuation of other land and buildings** The Council correctly accounted for revaluations as at 1 April 2015. The year-end desktop valuation by WHE indicated that other land and buildings valued on a Depreciated Replacement Cost basis increased by 15.7% and that other land and buildings valued on a current value (Existing Use Value) or Fair Value had not changed in value significantly. We are satisfied that these movements are in line with regional movements.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
INVESTMENT PROPERTY VALUATIONS	The Code has introduced a change in the basis of valuation of investment properties (IFRS 13) from a market value to a ‘highest and best use’ valuation. The Council instructed their valuers, Wilks, Head and Eve (WHE) to carry out the annual valuation of the investment property portfolio having regard to the possibility of significant changes in valuations under the highest and best use approach. We applied the work stated above under PPE valuations relating to WHE’s competence, independence and objectivity and to their valuations and valuation methodology.	We determined that the basis of valuation for assets valued in year is appropriate based on Code requirements and that the valuation movements are in line with expectations. Following the advice of WHE, the Council has classified all Fair Value properties as categorised at Level 2 in the fair value hierarchy under IFRS 13. We consider this to be appropriate because quoted prices are not available for these assets, but other direct or indirect observable inputs are. We note that the European Public Real Estate Association (EPRA), a leading trade association, has suggested that in the majority of cases investments property valuations are likely to be level 3 valuations due to the extent of unobservable inputs or individual assumptions for each property. We will keep this under review as generally accepted practice develops. The Council correctly accounted for revaluations as at 1 April 2015. The year-end desktop valuation by WHE indicated that investment properties had not changed in value significantly by the 31 March 2016. We are satisfied that these movements are in line with regional movements.
ALEXANDRA PALACE RECOGNITION	We reviewed the valuations reports from Wilks, Head and Eve for the valuation for the Alexandra Palace land and buildings for inclusion in the group financial statements. We reviewed the accounting treatment of capital improvements on the building within the Alexandra Park and Palace Charitable Trust financial statements.	The value of Alexandra Park and Palace as at 1 April 2014, 31 March 2015 and 31 March 2016 are correctly recognised in the group financial statements (at £55.959 million, £59.253 million and £72.966 million respectively). This adjustment has been correctly treated as a prior period adjustment with a third balance sheet presented within the accounts. We suggested to management some minor presentational changes to the prior period adjustments (note 42) which have been amended in the revised financial statements. Management should include this material asset within its rolling programme of formal valuations, and consider annual desktop reviews when the asset is not formally valued, to provide evidence that the carrying value remains materially accurate at the year-end date.

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
RESTRUCTURING OF THE COUNCIL	We reviewed the new arrangements in place and assessed the controls over the new shared service centre as part of our interim testing.	We did not identify any significant deficiencies of internal control from our walkthrough of key financial systems performed as part of our interim testing.
HIGHWAYS NETWORK ASSETS	We reviewed the 'new standards adopted but not yet implemented' disclosure note to ensure that the potential impact (where quantified) on the 2016/17 financial statements caused by the change of basis of the valuation of the highways network asset from depreciated historic cost to depreciated replacement cost is disclosed.	These disclosures are not included in the 'new standards adopted but not yet implemented' note, however as a result of CIPFA confirming that the change of basis of valuation of the highways network asset is going to be on a 'prospective' basis and therefore not requiring changes to prior year figures, we accept this as appropriate. Accounting policy 1.24 (Property, Plant and Equipment) refers to the Infrastructure Code, and that if the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £151 million to circa £2.7 billion.
RELATED PARTY TRANSACTIONS	We reviewed the Council's procedures for identifying related party transactions for disclosure in the related parties note, including signed declaration forms from members and senior officers. We carried out Companies House checks for a sample of members and senior officers and checked the completeness of interests included in the declaration forms. We also considered the completeness of related party disclosures based on knowledge gained from our other audit work. The Council has disclosed the total value of community grants paid to organisations in which members have interests. No other interests have been identified that require disclosure.	The Council has adequate procedures for identifying related party transactions, however the declaration of interests form does not explicitly require members to declare directorships in companies, which means that the Council is less easily able to identify related party transactions in respect of companies that members are directors of. As a result a total of 12 undeclared company directorships were found during the audit. This did not result in the identification of any additional related party transactions that needed to be disclosed in the financial statements. Our audit identified that a related charitable organisation for which receipts had been disclosed, did not have £20,527 of payments to the Council disclosed. In addition the three members who were trustees of this charitable organisation had not been included in the relevant disclosure. No other inaccuracies in the related parties note in the financial statements were identified.

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
INTERNAL RECHARGES	Our testing of income identified transactions recorded as income that appeared to be the recharging of expenditure between services. The correct treatment for these transactions would be to net the recharge from the originating services expenditure. As a result both income and expenditure are overstated by an equal amount, but there is no overall impact on the financial position of the Council. Further investigation as part of the audit, and then by management, identified that there was a total of £48.763 million of transactions that have been incorrectly treated in this way.	We have agreed with management that the financial statements will be amended to reflect the correct accounting treatment for the expenditure that is being recharged between Council services for both 2014/15 and 2015/16.
HOUSING BENEFIT OVERPAYMENTS DEBTOR	The total housing benefit overpayments debtor per the Academy OVR310 report as at 31 March 2016 is £28.94 million, of which £14.375 million relates to former claimants (and has been invoiced) and £14.565 million to current claimants (and is being recovered from ongoing entitlement). The Authority has recognised a debtor for the former tenants only, with a corresponding bad debt provision of £11.076 million (giving a net debtor of £3.299 million). The Authority has not recognised any year-end debtor balance or corresponding bad debt provision for housing benefit overpayments which are being recovered through the benefits system, for claimants who are still in receipt of benefits from the authority. The authority does not consider this to be a year-end debtor as invoices are not raised against these outstanding balances. From the OVR310, we calculated that a total of £5.029 million had been recovered during 2015/16, being 18% of the total opening balance of £27.414 million. We consider the gross debtor and income to be understated by £14.565 million, and the bad debt provision and corresponding expense by £12.555 million, if the same rate of provision is applied across the whole housing benefit overpayment debtor. This means the net debtor is understated by £2.010 million. The impact on the net surplus is an understatement of £2.010 million.	Following discussion, management agreed that the housing benefit overpayment debtor in respect of current claimants that is being recovered from ongoing entitlement should be recorded as a debtor. However, as the net result is not material, management have chosen not to amend the 2015/16 accounts, but to introduce this change from 2016/17. We agree that the non-recording of the net housing benefit overpayment debtor in respect of current claimants is not material, with an estimated variance of £2.010 million, but we do not consider it to be trivial. We have therefore included this as an unadjusted misstatement in Annex II.

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
CLASSIFICATION OF REVALUATION GAINS AND LOSSES IN THE CIES	We identified that revaluation gains (which are impairment reversals and are therefore recognised in the CIES rather than through the revaluation reserve), had been incorrectly classified as income rather than negative expenditure to reverse expenditure charged in previous years, for both 2014/15 and 2015/16. The amounts reclassified are as followed: - £92.673 million HRA revaluation gains in 2014/15 - £1.333 million HRA revaluation gains in 2015/16 - £5.732 million GF revaluation gains in 2014/15 - £56.851 million GF revaluation gains in 2015/16	Management agreed to reclassify this income to expenditure for both housing revenue account and general fund balances, for 2014/15 and 2015/16. These adjustments have no impact on the net expenditure recognised in the CIES.
CREDITORS: FUNDS HELD ON BEHALF OF OTHERS	The Council holds a number of funds held of behalf of individuals who are in care. Within our sample of short-term creditors, we selected a balance of £38,516 relating to one individual however no supporting information could be provided for this balance. We selected an additional two items relating to personal fund creditors and no information could be provided in respect of these cases either.	The total creditor included within the client personal funds general ledger code is £2.533 million which is not material.
CLASSIFICATION OF CASH EQUIVALENTS AND SHORT TERM INVESTMENTS	Our testing of short term investments identified a balance of £5 million with a maturity of two months. This short-term asset therefore meets the definition of cash equivalents rather than short term investments as the maturity date was less than 3 months. Management then identified a further balance of £5 million which also needed reclassifying to cash equivalents as the maturity date was three months.	Management agreed to reclassify the £10 million in the balance sheet, cash and cash equivalents note, cash flow statement and financial instruments note.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
SCHOOLS RECONCILIATION	The reconciliation of the schools cash book total balances with the balances recorded by the Council includes a reconciling item of £3.5 million, increasing the schools cash balances recognised in the financial statements. Further investigation identified that the Council consider this to be debtors that are owed to them by the schools that have not been recognised as creditors in the schools accounts, causing the difference to arise. Therefore the Council have included this in the schools cash balances recognised in the financial statements.	Our view is that this would have been more appropriately treated by reducing the schools creditor balances included in the Council's accounts, rather than increasing the school's cash balances, which would have no overall effect on the balance sheet. We have therefore included this as an unadjusted misstatement in Annex II.
GROUP CONSOLIDATION	Some errors of classification were noted in the group consolidation workings relating to the subsidiary Alexandra Park & Palace Charitable Trust. The most significant of these was that the charity's unrestricted funds had been included in the group's unusable reserves rather than the group's usable reserves . Additionally, some trivial adjustments were made to this subsidiary's audited financial statements that management have agreed to reflect in the final version of the Council's group accounts.	Management have agreed to amend the Council's group accounts for the errors identified and the changes made to the Charitable Trust's audited financial statements. The correction of these consolidation errors results in an increase to the Council group's usable reserves of £1.454 million.
NARRATIVE REPORTING	We compared the narrative report against the Code requirements to ensure that all elements of the narrative report are correctly included. We reviewed the narrative report to ensure consistency with our understanding of the entity and the financial statements.	Our review of the narrative report has not identified any significant omissions or inconsistencies from the statement of accounts.
FRAUD AND ERROR	We enquired of management regarding any instances of fraud in the period, and considered throughout the audit the possibility of material misstatements due to fraud or error. We are not aware of any instances of fraud other than trivial levels of housing benefit and housing tenancy fraud committed against the Council.	Our audit procedures have not identified any material errors due to fraud.

KEY AUDIT AND ACCOUNTING MATTERS

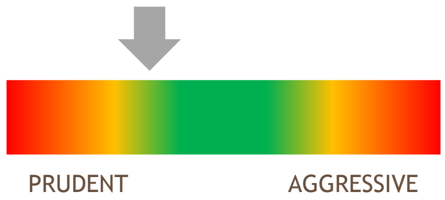
Continued

ACCOUNTING ESTIMATES

Our views on significant estimates, including any valuations of material assets and liabilities, arrived at in the preparation of your financial statements are set out below.

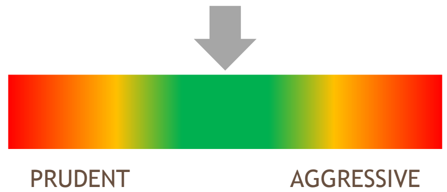
We have assessed how prudent or aggressive the estimate is based on the level of caution applied by management in making the estimate under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenditure are not understated.

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and investment properties is not materially different to the current value or fair value at the Balance Sheet date. The valuation for housing dwellings and land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC). Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation. The indices available to management to assess valuation changes are produced independently and are based on observable data (asset sales and building contract prices). The Code of Practice on Local Authority Accounting 2015/16 (the Code) introduced a change in the basis of valuation of surplus assets and investment properties under International Financial Reporting Standard (IFRS) 13, from existing use value (in the case of surplus assets) or market value (in the case of investment properties) to a ‘highest and best use’ valuation. This means that valuations may be significantly different in certain circumstances.	The Council engaged an external valuer to value its council dwellings, offices, car parks, public conveniences, surplus assets and investment properties as at 1 April 2015, and a further review to identify any further material movements during the year. This resulted in a net upwards revaluation movement of £158.243 million in the year for PPE and a loss of £9.724 million for investment properties. We assessed the valuer’s competence, independence and objectivity and determined we could rely on the management expert. We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements. The Council has applied indexation of 11% to be prudent. The concept of prudence does not apply to the valuation of PPE and therefore we consider the valuation to be understated by £5.779 million when compared to the information provided by the valuers (being the additional 0.5% price movement). However we do accept that the estimate is within a tolerable range and therefore do not consider this to represent an error in the financial statements.. We compared the valuations to expected movements using available market information and concluded that the movements are within expectations.



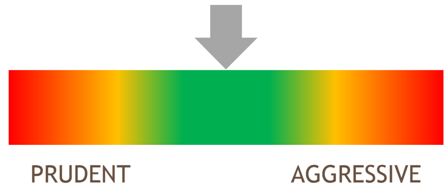
KEY AUDIT AND ACCOUNTING MATTERS
Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
PENSION LIABILITY ASSUMPTIONS The pension liability comprises the Council's share of the market value of assets held in the London Borough of Haringey Pension Fund and the estimated future liability to pay pensions. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements. We have reviewed the reasonableness of the assumptions applied by comparing these to the expected ranges provided by an independent consulting actuary report.	As at 31 March 2016 net pension liabilities disclosed in the Balance Sheet decreased by £116.222 million compared to the balance at 31 March 2015. It should be noted that these retirement benefits (liabilities) will not actually be payable until employees retire but because the Council has a commitment to make the payments (for those benefits) there is a requirement to disclose the information in the accounts at the time employees earn their future entitlement. The last formal valuation of the Fund was carried out as at 31 March 2013. In order to assess the value of the Council's liabilities as at 31 March 2016 the actuary has rolled forward the value of the liabilities calculated at the latest formal valuation, allowing for up to date financial assumptions. The key changes to the financial assumptions relate to: • a reduction in the pension increase rate from 2.4% to 2.2% • a reduction in the salary increase rate from 4.3% to 4.2% • an increase in the discount rate from 3.2% to 3.5% (to place a current value on the future liabilities through the use of a market yield of corporate bonds). These changes have resulted in the significant decrease in the present value of the scheme liabilities at 31 March 2016. We have compared the assumptions used by the actuary to calculate the present value of future pension liabilities with the expected ranges provided by the independent consulting actuary. All of the significant assumptions listed in note 37 are consistent with the PwC expected ranges for Hymans Robertson with the exception of the longevity at 65 for female future pensioners. The value disclosed in the note and the Hymans Robertson report is 26.5 years, compared to the PwC ranges of 26.6 – 27 years. We do not consider this variance to have a material impact on the net liability calculation as at 31 March 2016.



KEY AUDIT AND ACCOUNTING MATTERS
Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES The Council's largest allowances for impairment of receivables relate to housing benefit overpayments, collection fund receivables for council tax, housing rent arrears and parking penalty charge notice debtors. The Council estimates the housing benefits overpayments impairment allowance using collection rate data. For Collection Fund debtors, the impairment allowances are based on write off rates, as credit control processes are robust and amounts are only written out after all recovery procedures are exhausted, which can take many years. We have reviewed management's calculations and considered the reasonableness of the estimates against collection rates calculated for the current aged debt profile.	Overall we have concluded that the impairment allowances for receivables are reasonable. **Housing benefit overpayments (former tenants)** The impairment allowance at 31 March 2016 is £11,076,000, a decrease of £2,168,000 from the prior year, against an overpayments balance of £14,375,000, due to a reduction in the value of outstanding debt at year end. The bad debt provision was calculated at 100% for balances over three years, 90%, 70% and 55% for two, one and current year balances, however limited information could be provided to support the collection rates used by management. **Council tax arrears** The total impairment allowance for the Collection Fund at 31 March 2016 is £21,549,000, a decrease of £4,229,000 from the prior year, against total arrears of £26.5 million, due to a reduction in the value of outstanding debt at year end, partially caused by writing off almost £6m of outstanding debt. The Council has a 81.4% share in these balances. We are satisfied that the impairment calculation is based on actual collection rates in recent years and is reasonable. **Housing rent payers** The impairment allowance at 31 March 2016 is £15,756,000 (£7,957,000 for HRA and £7,799,000 for GF), a decrease of £4,967,000 from the prior year, against a total balance of £17,417,000, due to a reduction in the value of outstanding debt at year end, partially caused by writing off £2m of outstanding debt. We are satisfied that the impairment calculation is based on actual collection rates in recent years and is reasonable. **Parking penalty charge notices arrears** The impairment allowance at 31 March 2016 is £15,187,000, a decrease of £1,410,000 from the prior year, against a total balance of £16,532,000, due to a reduction in the value of outstanding debt at year end. We are satisfied that the impairment calculation is based on actual collection rates in recent years and is reasonable.



KEY AUDIT AND ACCOUNTING MATTERS
Continued

FINANCIAL STATEMENT DISCLOSURES
Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
IMMATERIAL DISCLOSURES	As part of our review of the draft statement of accounts, we identified a limited number of immaterial disclosures which we recommended to management to remove. These are: - Accounting policy on donated assets - Soft loans in the financial instruments note Management has decided not to remove any of these immaterial disclosures.
FINANCIAL INSTRUMENTS	We identified a number of presentation misstatement in the financial instruments note. The following have been amended in the revised financial statements: - Inclusion of rental debtors in both financial assets and liabilities as these balances are contractual rather than under statute - Exclusion of prepayments and deferred income as these are not balances which are settled in cash and so do not meet the definition of a financial instrument - £2 million adjustment to reduce the fair value of the PWLB loans as this did not agree to the valuation received from Arlingclose - Adjusted the negative balance of £492,000 for the Glitnir outstanding deposit to reconcile to the balance sheet We also identified that the liquidity risk note has not been prepared on an undiscounted cash flow basis, which has not been adjusted for in the revised statement of accounts.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
OTHER DISCLOSURES	Management have amended for the following our audit: - Inclusion in the property, plant and equipment accounting policy (note 1.24) that HRA assets (dwellings) are not componentised - Inclusion of a post balance sheet events note following the majority vote to end the UK's membership of the European Union (EU) in the National Referendum held on 23 June 2016, and the heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK - Adjustments to the statement of cash flows to ensure consistency of positive and negative values within the statement - Inclusion of the cash flow statement operating activities note for the group position and the differences between the single entity and group values are material - Amendments to the note setting out employees receiving more than £50,000 remuneration for the year to include one individual who was incorrectly excluded from the table, and to amend one employee from the £70,000 - £74,999 band to £75,000 - £79,999 band - A “restated” header for the single entity and group CIES and balance sheet, HRA account and supporting notes - Adjusted for a number of trivial casting differences and internal inconsistencies.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

OTHER MATTERS

We are required to communicate certain other matters to you. We deal with these below, either directly or by reference to other communications.

	MATTER	COMMENT
1	Our responsibility for forming and expressing an opinion on the financial statements	See our audit planning report to you dated February 2016.
2	An overview of the planned scope and timing of the audit	See our audit planning report to you dated February 2016.
3	Significant difficulties encountered during the audit	We have no matters to report.
4	Significant matters arising from the audit that were discussed with management or were the subject of correspondence with them, and any other matters arising from the audit that in our judgment are significant to the oversight of the financial reporting process	We have no matters to report.
5	Written representations which we seek	These are reproduced at Appendix VII.
6	Any fraud or suspected fraud issues	We have no matters to report.
7	Any suspected non-compliance with laws or regulations	We have no matters to report.
8	Uncorrected misstatements, including those relating to disclosure	These are reproduced at Appendix II.
9	Significant matters in connection with related parties	We have no matters to report.

SUMMARY OF AUDIT FINDINGS

	STATUS	REPORTING LEVEL
	Not started	Significant issue
	In progress	Raised for your attention
	Complete	No issue identified

AUDIT WORK STATUS		REPORTING LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
Complete	Journals	Significant issue	Y	N	N	N
In progress	Property, plant and equipment	Raised for your attention	Y	Y	Y	Y
In progress	Debtors	Raised for your attention	N	N	N	N
In progress	Cash and cash equivalents	Significant issue	N	N	N	N
Complete	Short and long term investments	No issue identified	N	N	N	N
Complete	Creditors	Raised for your attention	Y	Y	N	N
Complete	Short and long term borrowing	Raised for your attention	N	N	N	N
Complete	Employee benefits	No issue identified	N	Y	N	N
In progress	Other expenditure	No issue identified	N	N	N	N
Complete	Grant income	No issue identified	N	N	N	N
In progress	Other income	Raised for your attention	Y	N	N	N
Complete	Collection fund	No issue identified	N	N	N	N
Complete	Housing Revenue Account	No issue identified	Y	Y	Y	N
Complete	Related party transactions	Raised for your attention	N	N	N	N
Complete	Financial instruments	Raised for your attention	N	N	N	N
Complete	Cash Flow Statement	No issue identified	N	Y	N	N

SUMMARY OF AUDIT FINDINGS
Continued

	STATUS	REPORTING LEVEL
	Not started	Significant issue
	In progress	Raised for your attention
	Complete	No issue identified

AUDIT WORK STATUS		REPORTING LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
	Whole of Government Accounts		N	N	N	N
	Annual Governance Statement		N	N	N	N
	Narrative Report		N	N	N	N
	Use of resources		N	N	N	N

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2016, and anticipate issuing an unqualified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the Corporate Committee at which this report is considered:

1 Clearance of outstanding issues on the audit queries tracker currently with management

2 Receipt of bank confirmations from Barclays for the Council's accounts, various banks for 34 schools accounts, three local authority temporary loan confirmations and two short term deposit investment confirmations

3 Review and agreement of the WGA data collection tool against the final set of financial statements

4 Technical clearance

5 Subsequent events review

6 Management representation letter, as attached in Appendix VII to be approved and signed

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 13 June 2016. As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.	We have no matters to report. We were provided with the draft statement of accounts well ahead of the 30 June 2016 deadline, and we were also provided with a comprehensive set of detailed working papers. These working papers were in line with our records required listing issued to the Council ahead of the audit, and were well organised, detailed and comprehensive.
2	We are required to review the draft Annual Governance Statement and be satisfied that it meets the disclosure requirements in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. We are also required to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.	We have no matters to report.
3	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	We have no matters to report.

CONTROL ENVIRONMENT
Significant deficiencies

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

SIGNIFICANT DEFICIENCIES

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
POSTING OF JOURNALS WITH NO HEADER DESCRIPTION	Within our review of journals, we identified a number of transactions where there is no description in the header text and this was not identified by management. A further review by management following our findings, identified that there were 4,499 journals posted during 2015/16 with no header description. Of these it was confirmed that that 4,259 of them were automatic journals with no option to add a header or description, whereas 240 of the items were items that a header or description should have been added to.	There is a risk that inappropriate journals could be posted and this would not be identified by management, as there is no description indicating what the transaction is for and that it is an appropriate transaction.	Management should ensure that all journals posted have a clear description of the nature of the journal. Journals should be reviewed regularly to ensure that naming policies are adhered to.	

CONTROL ENVIRONMENT
Significant deficiencies

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
BANK RECONCILIATIONS	Management was unable to provide us with a breakdown of the reconciling items within the bank reconciliations. There are a large number of items included within the reconciling items of the bank reconciliation which have cleared on the bank statement before year end, but are netted off on different clearing codes. For a number of these unmatched items, the corresponding equal and opposite entry is included within a different bank account clearing code making it difficult to trace corresponding entries in order to identify the net position of reconciling items at the year-end.	A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences. If the Council is unable to determine the reconciling items to verify that these are appropriate timing differences, then there is a risk that the cash balance is materially misstated.	We recommend that management review their processes for preparing bank reconciliations. They should aim to clear down any balances within the clearing codes with equal and opposite entries, to identify the total population of reconciling items in order to appropriately prepare the monthly bank reconciliations.	

CONTROL ENVIRONMENT
Other deficiencies and observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
SIGNED EMPLOYMENT CONTRACTS	Of the 39 employees tested as part of our sample, signed employment contracts were not available for seven (three of these related to schools personnel, and the remaining four are Council employees).	Without signed contracts in place there is a potential risk that the Council is not protected if any employment dispute arose and there is no evidence to support the validity of the employee.	Management should undertake a review of all staff (including schools personnel) to ensure that there is a signed contract in place.	
BALANCES HELD ON BEHALF OF OTHERS	The Council holds a number of funds on behalf of individuals who are in care. Within our sample of short-term creditors, we selected a balance relating to one individual however no supporting information could be provided for this balance. Further work on this type of creditor indicated that no supporting evidence could be provided for this class of items, the total value of which was £2.5m.	Without any formal procedures to monitor the balances held by others, there is a risk of misappropriation of cash balances and that the year-end liability may be materially misstated.	Management should review the controls in place for the management of these funds held on behalf of others and ensure that supporting documentation is maintained for all year-end liabilities.	
SINGLE PERSON DISCOUNTS	Our test of control on single person discounts identified three incidences where there was no evidence to support the single person discount awarded for 2015/16, and there are no checks in place to test the eligibility for ongoing claims.	Without any ongoing monitoring of council tax discounts, there is a risk over the appropriateness of the discounts awarded, which would understate the Council's Council Tax collection fund income.	Management should review the control procedures in place for obtaining evidence for single person discounts and annual monitoring of ongoing claims.	
DECLARATION OF INTEREST FORMS	Our review of the declaration of interest form identified that it did not explicitly require members to declare if they help any company directorships.	Without this prompt it is possible that members will forget to declare any companies of which they are directors on their declaration of interest form.	Management should review the declaration of interest form and ensure that this explicitly requires members to declare any company directorships that they hold.	

WHOLE OF GOVERNMENT ACCOUNTS

MATTER	COMMENT
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	HM Treasury's WGA team issued a newsletter at the end of June to explain the delay in issuing the DCT which was released on Monday 4 July. This means that local authorities' deadline to submit the unaudited DCT to HM Treasury has been extended to 12 August 2016 and similarly our deadline to issue our audit opinion on the DCT has been extended to 21 October 2016. Our review of the Council's WGA Data Collection Tool (DCT) is in progress.

USE OF RESOURCES

Key informed decisions, deployed resources and sustainable outcomes

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 Audit Plan issued in February 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES	In our audit plan we identified that there was a risk over the sustainability of the Council's financial position due to the reductions is government funding and inflationary and pay pressures. The Council had an overspend compared to budget of £6.8 million in 2015/16. This was mainly due to demand-led services such as Adults, Children's and the need for Temporary Accommodation. **Corporate Plan and Medium Term Financial Strategy** The Council is half way through the Corporate Plan 2015-2018 that was jointly prepared by the Executive Team and Members. It is recognised that there are challenges with managing the demand-led services, but the Corporate Plan and the aligned Medium Term Financial Strategy (MTFS) are providing the Council with direction and planning processes are continuing to improve. Senior Members and officers are proud of the results it has achieved despite the turbulent times that are being faced which include numerous redundancy consultations and further staff reductions of approximately 500 full time equivalents. The Corporate Plan identified five priority areas: 1. Enable every child and young person to have the best start in life, with high quality education. 2. Empower all adults to live healthy, long and fulfilling lives. 3. A clean and safe borough where people are proud to live. 4. Drive growth and employment from which everyone can benefit. 5. Create homes and communities where people choose to live and are able to thrive.	Given the uncertainty around future grant funding, demographics and demand pressures Haringey Council's future planning and assumptions appear to be adequate. The Council is looking further ahead and has strong capital programmes with the aim of bringing additional income in future years and has moved away from a year to year financial planning cycle. Future plans are focused on achieving the best use of resources for residents. The Council need to continue to monitor the control of demand led services, the delivery of the savings necessary to meet the MTFS and the impact of the changes being implemented on the delivery of services, to ensure that there are no unanticipated detrimental outcomes.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	The Corporate Plan is supported by the MTFS that identified £70 million of savings to be achieved in the period to 2017/18. The Council has already made savings of £100 million since 2010 and management is conscious further savings will be challenging especially in the demand-led areas. Savings estimated over the life of the Corporate Plan in the MTFS are: 2015/16: Saving £19.8m, equating to 7.2% of £277.0 million budget 2016/17: Saving £24.7m, equating to 9.4% of £262.2 million budget 2017/18: Saving £24.2m, equating to 9.9% of £244.0 million budget Plans are in place to deliver these savings and the MTFS makes reasonable assumptions about increasing cost pressures due to population growth and increased demand for services, along with the amount of Government grant reductions that are expected to be applied. For example, Revenue Support Grant is expected to reduce from £88.0 million in 2014/15 to £33.2 million in 2017/18. The scale of this challenge is well understood and although savings plans are in place as part of the MTFS, this needs to be continuously closely monitored to ensure delivery is line with expectations, so that finances of the Council can continue to remain on track. The Council is currently working on producing an updated MTFS that will cover the period from 2017/18 to 2020/21 that will be approved by the Cabinet and Council as part of the 2017/18 budget setting process in February 2017. **Capital Programme** The Council's approach to capital expenditure has changed drastically in a way which aims to benefit the Council. Previously capital spend was planned on an annual basis utilising capital receipts only. The new model looks at capital spend over a 10-year cycle and is geared around a split of servicing needs 75% and 25% on growth. This means the Council's aim is for 75% of the annual expenditure to be spent on services to residents and 25% to be spent on financing costs to support Haringey's growth agenda. The Council plans to acquire more land, sell less of their assets to finance new projects and be active partners in the future developments and regeneration plans that in the long term will deliver future income streams. To support this new model the Council is outsourcing the treasury management function to the GLA, as it currently does not have the necessary expertise in-house.	We have concluded that the Council understands the financial challenges that it faces and has adequate arrangements is place to manage the financial position moving forward.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	**New Administration Systems** The Council has introduced a new purchasing system, including purchase ordering, in 2015/16 to enable better management of resources and ensure only things needed are being ordered and purchased. The Direct Purchasing System (DPS) is being rolled out with a training programme to teams over the remainder of 2016. It is anticipated that additional savings will be achieved from buying the right things at the right price. A new IT contract with Camden Council and Islington Council is being implemented with the expectation that Haringey will move towards a more digital approach. The consortium approach will get better rates for the Council, as well as providing additional support to the IT team to push forward the digital agenda. The Council faces a common problem of having old software that needs to link in with new technology, resulting in a slower pace of change. Mosaic software was also implemented for social care workers last year, supporting better casework management. The Council is developing a more agile workforce. To support this, it is assessing staff core competencies and providing opportunities for staff to work across departments as resource need is identified. There has been a change to remove the annual appraisal system and have a 'my conversation' approach. This has enhanced the Council's awareness of its talent pool, that it expects to be able to nurture and 'keep busy and happy'. **Service Area Management** **Regeneration** - Haringey has big ambitions to regenerate the borough over the coming years. Plans to see investment of over £1billion in the area are underway with Tottenham Hale's regeneration plans already at preferred bidder stage. The Director of Regeneration confirmed that value for money is a key priority for the projects. The Project Board oversees hundreds of projects linked to Priority 4 – Driving growth and employment from which everyone can benefit. The Council use lots of consultants to assess project viability, develop options and look at the commercial case, as appropriate. Rates have been benchmarked and the Council is confident it is achieving value for money. However there is a recognition that improvements are required in respect of capital programme monitoring and reviewing plans against outcomes. All projects are now RAG-rated and progress reporting is generally good and timely.	

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	An options appraisal is being developed for a new Haringey Council Headquarters, that is due to be submitted to the Cabinet meeting in October. The local news ran an article criticising the Council for spending £33 million on new offices. However this information had been taken out of context, and it is likely the new building will actually cost in excess of this figure, but will also bring future benefits and a better use of public resources. The regeneration team work to identify funding sources outside of the Council. They have been awarded four Crossrail stations by Transport for London and a new station in Tottenham which represents an investment of over £20 million in the Borough. **Children's Services** – the costs of looked after children has reduced from 620 children in 2009 with a £90 million budget to approximately 430 children now with a budget of £43 million. The cost of placements has increased significantly and providers are able to charge what they like due to insufficient places being available nationally. Demand is still high, with a budget for 15 new cases per month, although in a recent month there were over 40 referrals. The Council is working on new strategies for prevention and better relationship management with Police, Schools and Health. The Council is trying to ensure that safeguarding remains at least 'good' and resources are targeted at those who need it most. There was an overspend of £4.1 million in 2015/16 although this is against a reducing budget with real spend going down each year and the service is being streamlined with further workforce cuts planned. There is concern that further saving requirements will jeopardise the Council's ability to remain 'good'. The Council has benchmarked itself with other councils and the unit costs are in line with nearest comparators and what Ofsted considers 'good'. The Council is now working on a 'core budget' that is required to deliver a good children's service so that this can be presented to Cabinet as part of the development of the next MTFS. We compared Children's services spend with nearest comparators and the Haringey budget for 2016/17 and found it represented 19% of the total Council budget, with comparator Council's ranging from 17-22%, suggesting that Haringey is in-line with expectations. **Education** - A core KPI for the council is ensuring that all schools are at least good and currently rated on the performance wheel as Amber/Green. We have reviewed the Ofsted Inspections for the schools in Haringey and agree with the rating of the KPI indicator: • Of the 11 secondary schools in Haringey 5 are 'outstanding' and 6 are 'good' (5 are Academies) • Of the 56 Primary schools with Ofsted reports available 9 are 'outstanding', 43 are 'good' and 4 'require improvement' (all 4 that require improvement are local authority run)	

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES (Continued)	**Service Area Management** **Adults** – there was an overspend compared to budget of £11.8 million in 2015/16, despite an increased budget compared to the previous year. The Council is taking action to try to address this, including introducing a new brokerage team to facilitate better contract management. Additional programmes of work are underway to ensure savings are made in 2016/17, that the cost of care is reduced and management of demand for the services and the underlying pressures generating this is better managed. These activities need to happen at pace in the coming year and are a priority for Haringey. The Council has utilised the opportunity to raise the 2% precept on Council Tax for Adult social care, which has generated income of £1.7 million. We have benchmarked the Adults budget for 2016/17, with Haringey committing 32% of the Council's budget to this service, compared to a range of 27-41% of its most similar local authorities. Therefore the Council is towards the lower end of the range, which could be contributing to the overspends against budget that are currently being experienced.	

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
INFORMED DECISION MAKING	**Overview of the Council** Haringey Council has a sufficient governance structure in place which ensures adequate rigour and challenge throughout the decision-making processes. The Council operates a Cabinet structure with sub-committees and programme boards tasked with the detailed work, which is then presented back to Cabinet for approval. Members of these groups are provided with timely reports and financial information for each meeting. From a review of minutes and attendance at the Corporate Committee we can verify that members challenge information, ask questions and debate findings before a vote/decision is agreed. The Council's performance management reporting has recently moved to a 'wheel' presentation for monitoring KPI's which has been well received by members and officers. The five key priorities from the Corporate Plan are identified on the wheel and RAG-rated. The reader is then able to focus on the areas of concern and drill down as required. **Governance Suitability** There is a concern that some managers aren't sufficiently commercially-aware. However, managers and members do receive training on budgets and commercial matters to ensure they can actively participate in Cabinet and committee meeting discussions and help to make the right decisions. The Council offers continuous professional development to its staff and members are also welcome to participate. There is a risk that members get linked to particular services due to their backgrounds, but the Leader actively rotates members' roles and her goal is to create a Cabinet which has a good foundation of knowledge for each work area, that is further supported by their areas of background expertise, which will provide greater challenge and debate for future conversations and decision-making processes. Linked members hold one-to-one meetings with service leads on a weekly basis and have a good understanding of where these areas are performing and where they need to improve. The Council ensures value for money is embedded in the decision-making process and that all spend is tracked back to a main priority area. The Corporate Plan was a joint piece of work between the Executive Team and the members, recognising that having everyone supporting the plan is key to its success.	We have no matters to report.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
INFORMED DECISION MAKING (Continued)	**Risk Management** There isn't a public corporate risk register that goes to Cabinet on a regular basis. Risks are managed at Project Board level and reported to Cabinet on an exceptional basis. In addition, risks are discussed at the informal meetings held by members and the Executive Team and risks are reported to individual boards, but not all will go to Cabinet. The financial implications of risks are appropriately reported, especially as the financial challenges are so significant now.	
WORKING WITH PARTNERS AND OTHER THIRD PARTIES	The Council is working in partnership with other organisations and reviews the use of resources being put into these ventures to ensure value for money is delivered. The major partnerships are: **Waste Management through North London Waste Authority** – this is a consortium approach with 6 options being considered in relation to a new waste facility to replace the current one that is over 45 years old and in need of renewal. The relationship currently appears to be working well, but needs to be monitored over the next year in relation to selection and delivery of the preferred option moving forward. **Fusion -** provides all of the Leisure Services in the borough. Management is satisfied that the relationship is working well and value for money is being achieved, but will continue to review the arrangements moving forward. **Care Homes -** the Council has good relationships with a range of providers and the quality of care is monitored regularly. This is one of the biggest spend areas for the Council and relationships need to be maintained at the same time as future alternative solutions are investigated. **Homes for Haringey -** manage all of the Council's social housing, temporary accommodation and homes for the homeless, including the maintenance of the Council's housing stock. The ALMO is making good service provision and collection rates of rents has improved. **Tottenham Hotspur** – the football club is in the process of building a new football stadium that will be positioned between two new Council / private redevelopment sites. The Council is working with the football club, as it is imperative the different contractors work well together in order that disruption to the community is controlled.	We have no matters to report.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
WORKING WITH PARTNERS AND OTHER THIRD PARTIES (Continued)	**Health** – the Council feels that the Better Care Fund has been more beneficial to the Clinical Commissioning Group (CCG) than the Council. There are challenging issues at present for the CCGs, as they are going through the process of integrating five CCGs into one CCG. The Council is therefore focusing more on direct relationships with the health service providers, GPs and hospitals, and less so on the CCG at present. The Council will need to renew its relationship with the CCG once their new arrangements are in place and become more embedded. **Police -** are a key strategic partner who work well across services and maintain an active dialogue as developments continue. The Council is particularly working with the Police to reduce the demand on Children's Services and ensure only those who actually require support are referred. **Camden and Islington** – the Council are looking towards Camden and Islington to further develop shared services. They are currently developing a shared IT option that will be a catalyst to improve Haringey's digitalisation and get things moving forward quickly. **Schools** – The Council has a good relationship with it's schools and there is currently a 50/50 split between academies and local authority run schools. Overall the school's have positive assessments provided by Ofsted, with only 4 of the 67 schools rated as 'require improvement'.	

OBJECTIONS

A local elector may inspect, ask questions and object to the accounts on the basis that an item in them is unlawful or there are matters of wider concern arising from the Council's finances. The elector can ask the auditor to apply to the High Court for a declaration that an item of account is unlawful or to issue a report on matters which are in the public interest.

We decide if the matter raised needs investigation and whether a High Court declaration should be sought or a public interest report be issued. If the matter does not warrant either of these outcomes, it may still be a matter that we may wish to raise with the Council.

We issue our audit certificate to close the audit only following the completion of this work. We can issue an opinion on the statement of accounts before the audit is completed if we believe that if the objection were resolved in the objector's favour, this would not affect the accuracy of the statement of accounts.

OBJECTION	NATURE OF OBJECTION AND WORK PERFORMED	FINDINGS AND CONCLUSION
LENDER OFFER BORROWER OFFER (LOBO) LOANS	We have received two objections relating to the lawfulness of the decision to borrow monies through LOBO loans and whether: • Local authorities are able to take out LOBO loans • It was reasonable to take this form of borrowing • The advisors were acting independently and were not conflicted by commissions received. We have requested information from the Council to support the decisions to take out six LOBO loans between 2003 and 2006, totalling £125 million.	This work is in progress. Legal advice obtained suggests that, in the event of the decision to take out these loans being unlawful, it is not clear whether restitution for the lender would require amendment to the financial statements. Therefore, we are not able to provide our opinion on the financial statements until we have been able to conclude this work.

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	London Borough of Haringey
'Those charged with governance'	The persons with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the members of the Corporate Committee.
Management	The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: • The financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) • Putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
The 'Code'	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC (Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Corporate Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

CORRECTED AUDIT DIFFERENCES

There were no differences that have been corrected in the revised draft financial statements that affect the reported surplus for the year. However, a number of amendments to classifications have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report.

UNADJUSTED AUDIT DIFFERENCES

There are two unadjusted audit differences identified by our audit work which would decrease the draft surplus on the provision of services in the CIES by £2.34 million to £37.401 million (from £39.741 million) if adjusted.

The misstatements also impact on the group financial statements.

A schedule of uncorrected audit differences is included on the following pages, with misstatements recorded as factual misstatements, judgemental / estimation misstatements, or projected misstatements. We request that you correct these misstatements.

Management has stated that it considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole.

APPENDIX II: AUDIT DIFFERENCES
UNADJUSTED AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		BALANCE SHEET	
UNADJUSTED AUDIT DIFFERENCES	£'000	DR £'000	CR £'000	DR £'000	CR £'000
Surplus on the provision of services before adjustments (single entity)	(39,741)				
DR Depreciation expenditure (housing revenue account)	4,350	4,350			
CR Council dwellings					(4,350)
DR Capital adjustment account				4,350	
CR General fund movements in reserve statement (to reverse depreciation expense)					(4,350)
Estimation misstatement: potential understatement of depreciation as HRA assets are not componentised and so the full buildings value for HRA properties are depreciated using a useful economic life of 60 years.					
DR Debtors				2,010	
CR Other housing services income	(2,010)		(2,010)		
CR General Fund					(2,010)
Estimation misstatement: potential understatement of housing benefit overpayment debtors					
DR Creditors				3,535	
CR Cash and cash equivalents					(3,535)
Classification misstatement: schools creditor balances that have been recognised by increasing cash balances, rather than consolidated in the creditors balance					
TOTAL UNADJUSTED AUDIT DIFFERENCES	**2,340**	**6,639**	**(2,010)**	**12,184**	**(18,823)**
Surplus on the provision of services if adjustments accounted for	(37,401)				

APPENDIX II: AUDIT DIFFERENCES
UNADJUSTED AUDIT DIFFERENCES

IMPACT ON GENERAL FUND AND HRA BALANCES	GENERAL FUND BALANCE £'000	HRA BALANCE £'000
Balances before adjustments	(19,998)	(39,319)
Adjustments to CIES above	2,010	4,350
Adjustments via movement in Reserves Statement:		
CR Reclassification of depreciation expenses for componentisation of council dwellings		(4,350)
BALANCES AFTER ADJUSTMENTS	**(22,008)**	**(39,319)**

UNADJUSTED DISCLOSURE MATTERS
The following unadjusted disclosure matters were noted: - Liquidity risk note is not prepared on an undiscounted cash flows basis

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
FINANCIAL STATEMENTS					
HRA COMPONENT DEPRECIATION	Management provided us with a high level calculation for what they considered to be the potential misstatement from non-componentisation. Although this calculation was not material, there is a risk that it could become material in forthcoming years.	Management should more fully document evidence to support that the depreciation charges of HRA assets are materially accurate from non-componentisation and this calculation should be reviewed on an annual basis.	Management agrees with the recommendation. The componentisation policy will be reviewed for 2016/17.	Chief Accountant	March 2017
ALEXANDRA PARK AND PALACE VALUATION	Management have obtained formal valuations from Wilks, Head and Eve for Alexandra Park and Palace and recognised this as a prior period adjustment and a consolidation adjustment in the group accounts.	Management should include this material asset within its rolling programme for formal revaluations, and consider annual when the asset is not formally revalued, they should evidence that the carrying values remain materially accurate as at the year-end date.	Agreed, the Council's future valuation programme will include material assets from Alexandra Park and Palace to avoid any future adjustments.	Chief Accountant	March 2017
SCHOOLS BANK LETTERS	A large number of our bank letter requests were initially refused by the bank as the authorisation letters from the schools were not signed in accordance with the bank mandate. Currently there are bank letters for 36 schools which are outstanding.	Management should provide sufficient guidance to the schools to ensure that their authorisation letters are prepared in accordance with the bank mandates.	Management agrees with the audit recommendation, however, they also recommend that in the future the bank letter requests are carried out as early as possible and any bank refusals are communicated with the relevant officers as soon as possible and before the schools summer holidays.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
CONTROL ENVIRONMENT					
JOURNAL HEADERS	Within our review of journals, we identified a number of transactions where there is no description in the header text and this was not identified by management. A further review by the Council following our findings, identified that there were 4,499 journals posted during 2015/16 with no header description.	Management should ensure that all journals posted have a clear description of the nature of the journal. Journals should be reviewed regularly to ensure that naming policies are adhered to.	Management agrees with the recommendation and will be reviewing the journal posting processes to ensure that all journals posted have a clear description.	Chief Accountant	March 2017
BANK RECONCILIATION	Management was unable to provide us with a breakdown of the reconciling items within the bank reconciliations. There are a large number of items included within the reconciling items of the bank reconciliation which have cleared on the bank statement before year end, but are netted off on different clearing codes. For a number of these unmatched items, the corresponding equal and opposite entry is included within a different bank account clearing code.	We recommend that management review their processes for preparing bank reconciliations. They should aim clear down any balances within the clearing codes with equal and opposite entries in order to identify the total population of reconciling items in order to appropriately prepare the monthly bank reconciliations.	Management agrees with the recommendation and will be reviewing the bank reconciliation processes for the future.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
CONTROL ENVIRONMENT					
BALANCES HELD OF BEHALF OF OTHERS	The Council holds a number of funds held of behalf of individuals who are in care. Within our sample of short-term creditors, we selected a balance relating to one individual however no supporting information could be provided for this balance.	Management should review the controls in place for the management of these funds on behalf of others and ensure that supporting documentation is maintained for all year-end liabilities.	Management agrees to review the controls in place for the management of these funds.	Chief Accountant	March 2017
SINGLE PERSON DISCOUNTS	Our test of control on single person discounts identified three incidences where there was no evidence to support the single person discounts in 2015/16, and there are no checks in place to test the eligibility for ongoing claims.	Management should review the control procedures in place for obtaining evidence for single person discounts and annual monitoring of ongoing claims.	Management agrees with the audit recommendations and will strengthen controls around obtaining evidence for single person discounts.	Chief Accountant	March 2017
SIGNED EMPLOYMENT CONTRACTS	Of the 39 employees tested as part of our sample, signed employment contracts were not available for seven (three of these related to schools personnel, and the remaining four are Council employees).	We recommend that management undertake a review of all staff (including schools personnel) to ensure that there is a signed contract in place.	Management agree with the audit recommendations.	HR Director	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
CONTROL ENVIRONMENT					
DECLARATION OF INTERESTS FORMS	Our review of the declaration of interest form identified that it did not explicitly require members to declare if they help any company directorships. Without this prompt it is possible that members will forget to declare any companies of which they are directors on their declaration of interest form.	Management should review the declaration of interest form and ensure that this explicitly requires members to declare any company directorships that they hold.	Management agree with the audit recommendations. Future declarations will be reviewed and clear guidance will be provided with the forms to ensure members are aware of what they need to declare including any company directorships that they hold.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
GOVERNANCE REPORTING					
IMMATERIAL DISCLOSURES	The 2015/16 financial statements included a small number of immaterial disclosures and associated accounting policies. Inclusion of irrelevant or immaterial disclosures in the financial statements decreases the usability of the financial statements and detracts from the required material disclosures.	Management had reviewed the draft statement of accounts prior to presenting to audit to remove most immaterial notes, however the Council should review such disclosures on an annual basis and remove all immaterial disclosures.	Management agrees with the audit recommendations to remove immaterial disclosures.	Chief Accountant	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMIMG
USE OF RESOURCES					
SUSTAINABLE FINANCES	Given the uncertainty around future grant funding, demographics and demand pressures Haringey Council's future planning and assumptions appear to be adequate.	The Council need to continue to monitor the control of demand led services, the delivery of the savings necessary to meet the MTFS and the impact of the changes being implemented on the delivery of services, to ensure that there are no unanticipated detrimental outcomes.	Management agrees with the audit recommendations. We are currently compiling a 5 year Medium Term Financial Strategy (MTFS) for the period 2017/18 – 2021/22. In order to build a robust MTFS we have undertaken some detailed modelling on the impacts of demand on Adults and Children's Services and Temporary Accommodation, which will feed into the model. We have also undertaken comprehensive modelling on the implications of council tax and business rates income, to the extent that is possible with the pending changes form 2020. All assumptions will be fully documented as part of the model.	Deputy S151 officer	February 2017

APPENDIX IV: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£17,200,000	£17,200,000
Clearly trivial threshold	£500,000	£500,000

Planning materiality of £17.2 million was based on 1.5% of gross expenditure, using the average gross expenditure over the past two years (2013/14 and 2014/15). We had no reason to revise our final materiality level.

MATERIALITY - FINAL AND PLANNING (GROUP)

	FINAL	PLANNING
Materiality	£17,300,000	£17,300,000
Clearly trivial threshold	£500,000	£500,000

Planning materiality of £17.3 million was based on 1.5% of gross expenditure, using the average gross expenditure over the past two years (2013/14 and 2014/15). We had no reason to revise our final materiality level.

APPENDIX V: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Leigh Lloyd-Thomas - Engagement lead	1	31 March 2021
Andrew Barnes - Audit manager	1	31 March 2026

APPENDIX V: INDEPENDENCE

Continued

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

Other than the items identified above and in Appendix VI, we have not identified any potential threats to our independence as auditors. We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX VI: FEES SCHEDULE

	2015/16	2014/15	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
	£	£		
Audit fee	206,475	N/A	N/A	N/A
Certification fee (Housing benefits subsidy claim)	33,190	N/A	N/A	N/A
TOTAL AUDIT FEE	239,665	N/A		
TOTAL ASSURANCE SERVICES	239,665	N/A		

APPENDIX VII: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

xx September

Dear Sirs

Financial statements of the London Borough of Haringey for the year ended 31 March 2016

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Operating Officer has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Other than already disclosed, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

APPENDIX VII: DRAFT REPRESENTATION LETTER
Continued

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the following significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable:

- Fair value of land and buildings
- Depreciation
- Assumptions underpinning the reported pension liability (as reported in note 37 of the financial statements)

Specifically for property, plant and equipment we confirm that:

- The useful economic lives for buildings as advised by the valuer are appropriate to the future intentions and planned usage of the asset by the Council
- That the basis of valuation methods applied by the valuer for the valuation of specialised buildings using modern equivalent assets are appropriate
- Information provided by the valuer in respect of the componentisation of property, plant and equipment for significant components of assets with differing asset lives is appropriate for estimating the Council's depreciation charges.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Tracie Evans

Chief Operating Officer

Cllr Barbera Blake

Corporate Committee Chair

Signed on behalf of the Corporate Committee

APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices to be firm-wide and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to , one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.

FOR MORE INFORMATION:

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