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**Private and Confidential**

Councillor P Bright  
London Borough of Barking & Dagenham  
Barking Town Hall  
Town Hall Square  
Barking  
IG11 7LU

22 October 2019

Lisa Clampin  
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Dear Councillor Bright,

**Significant deficiency in internal control in the preparation of the Statement of Accounts**

Auditing standards require that we communicate to those charged with governance any significant deficiencies in internal control identified during the audit, in writing, as soon as is practicably possible.

The purpose of our audit is for us to express an opinion on the statement of accounts. The scope of our audit includes consideration of internal control relevant to the preparation of the statement of accounts in order to design audit procedures that are appropriate in the circumstances. We do not express an opinion on the effectiveness of all internal controls.

The matters being reported here are limited to those deficiencies that we have identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance.

Our continuing audit of the draft statement of accounts has identified a significant number of figures included in the statements which were misstated, some materially so. We have raised these matters with the Council throughout the audit, which has resulted in revised working papers being provided to the auditors for a significant number of areas on the accounts. As a result, it has been necessary to perform additional audit work to confirm the accuracy of revisions proposed by the Council.

The errors identified in our ongoing audit vary in their nature and impact on the statement of accounts. They also include a number of misstatements in relation to the prior year (2017/18) comparatives which, in aggregate, may result in a prior period adjustment. The full detail of the audit findings will be included in our Audit Completion Report to the Audit and Standards Committee once the audit is concluded.

Whilst we cannot confirm at this time whether there will be a net impact on the cost of services reported by the Council, the material disclosure misstatements in the core financial statements certified by the section 151 officer, published by the Council and presented for audit, is contrary to the Local Authority Accounting Code of Practice requirement for the Council to produce materially accurate draft financial statements. We continue to work with the Council on finalising the impact of the audit findings to date, and working toward the Council producing a final set of financial statements that are materially accurate and Code compliant.

The Council has provided evidence to demonstrate that a review of completeness and reconciliation of the draft financial statements to their management accounting regime, was undertaken by senior members of the closedown team prior to publication, which placed reliance on previously audited figures. The evidence provided demonstrates that an appropriate internal control, designed to identify potential material misstatements before publication of the draft statement of accounts, exists. However, the subsequent identification of the misstatements, material and otherwise, referred to above indicates that this internal control did not operate effectively. Therefore, we consider this a significant deficiency in internal control.





Our Audit Completion Report to the Audit and Standards Committee will incorporate our recommendations in relation to this control deficiency, alongside our findings from the rest of the audit. If you or your colleagues on the Audit and Standards Committee have any questions about the content of this letter, please do not hesitate to contact me.

Yours sincerely

**Lisa Clampin**  
Partner  
For and on behalf of BDO LLP

cc  
Claire Symonds, Deputy Chief Executive and Chief Operating Officer