

## PART A

**Report to:** Audit Committee  
**Date of meeting:** 12<sup>th</sup> January 2012  
**Report of:** Head of Strategic Finance  
**Title:** Five Reports from Grant Thornton

### 1.0 **SUMMARY**

- 1.1 Attached are five reports from the Council's External Auditor, Grant Thornton. The reports cover the following issues:
- Audit Progress Report January 2012
  - Annual Audit Letter 2010/2011
  - Review of Arrangements for Securing Financial Resilience
  - Certification Work Report 2010/2011
  - Audit Plan 2011/2012

### 2.0 **RECOMMENDATIONS**

- 2.1 That the Committee considers carefully the reports and note the Council's response attached within this covering report.

**Contact Officer:**

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### 3.0 **Detail**

Dealing with the five reports in turn, the Head of Strategic Finance comments as follows:

#### 3.1 **Audit Progress Report January 2012.**

This report just provides an index of the reports to follow.

#### 3.2 **Annual Audit Letter 2010/2011**

3.2.1 This report notifies the Council that it received an unqualified audit opinion within the statutory deadline. (This in itself is a good result as a recent report from the Audit Commission highlights that 28 local authorities failed to either meet deadlines or had their accounts qualified).

The Annual Audit Letter also states that the Council received an unqualified VFM report which confirms that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3.2.2 The Report is not without its criticism however and primarily points to the need to improve closing processes and availability of information. This is a fair conclusion and is reflective of the fact that 2010/2011 was the first year that Shared Services Finance staff were required to close Watford's accounts. There was therefore a lack of familiarity with some aspects of the work. This was further exacerbated by the need to restate the accounts as a consequence of changes required under IFRS legislation. As referred to earlier a number of authorities failed to meet the required standard.

3.2.3 The Committee is asked to consider the Report from Grant Thornton.

#### 3.3 **Review of Arrangement for Securing Financial Resilience**

3.3.1 This report covers in some detail Watford's financial resilience which is a key issue at a time when authorities are required to make significant expenditure reductions. It is reassuring that Grant Thornton assesses the Council as having 17 Green symbols (no cause for concern), with 8 Amber 'light' (potential risks and / or weaknesses). If the Audit Committee studies all these indicators it will be evident that the overall strategy and financial planning of the Authority scores very highly and reflects the approach taken within the Medium Term Financial Strategy. The amber notations tend to relate to the actual operating environment and reflects legislative changes (IFRS) and lack of familiarity of staff with Watford's systems. From the evidence displayed in preparing the 2012/2013 detailed estimates, it is not anticipated that these reservations will continue when closing the 2011/2012 Final Accounts.

3.3.2 The report includes recommendations to improve the current state of play (Pages 8 & 9). Attached to this covering report is the recommended Council response. The Audit Committee is asked to consider the report of Grant Thornton and the recommended action points attached to this covering report.

#### 3.4 **Certification Work Report 2010/2011**

3.4.1 This report details the certification of grant claims during 2010/2011. In two case the grant claims were signed off after the statutory deadline. In both cases the

Department for Communities and Local Government was notified of the delays, extensions were given and no financial loss occurred. It is not anticipated that deadlines will be missed in 2011/2012 as staffing changes that occurred during 2010/2011 should not recur.

3.4.2 With regard to the amendment of the Housing and Council Tax Benefit Subsidy claim, as the report indicates, it changed the claim by £99 on a claim of £38.3m and might be judged to be a success story.

3.4.3 With regard to the 'qualification' of the NNDR Claim this was due to the failure to get approval from Cabinet to the write off of some business rates against the National Pool. This oversight has been rectified with Cabinet on 7<sup>th</sup> November giving its approval. DCLG has accepted this retrospective write off and no financial loss has fallen upon the Council. The Head of Revenues is taking a more proactive approach than his predecessors in dealing with irrecoverable arrears of both business rates and council tax. Regular reports are being presented to Cabinet and it is not anticipated that the oversight that occurred in 2010/2011 will recur.

3.4.4 Finally the report indicates that the cost of the certification process exceeded the original estimate by £7,280. The budget estimates for external audit work has included a £10k contingency for such an eventuality and the excess cost can be contained therefore.

### 3.5 **Audit Plan 2011/2012**

3.5.1 The final report relates to the Audit Plan for 2011/2012 and largely follows past practice. It is reassuring that, in these austere times, that the Planned Fee for 2011/2012 is due to be £6k less than 2010/2011 (albeit the 'bill' for certification work always seems to exceed the original estimate !). The one area of slight concern is that the Audit Manager has changed from 2010/2011. This is the second year running that the audit manager has been different and does not particularly help 'continuity'.

## 4.0 **IMPLICATIONS**

### 4.1 **Financial Issues**

The Head of Strategic Finance comments that there are no financial implications arising directly out of this report.

### 4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are no legal implications arising directly out of this report.

### 4..3 **Potential Risks**

| Potential Risk   | Likelihood | Impact | Overall score |
|--|------------|--------|---------------|
| That sustained improvement in the operating environment is not maintained. | 1          | 4      | 4             |
| That the recommended action points are not achieved.                       | 2          | 4      | 8             |

4.4

**Staffing**

None Directly

4.5

**Accommodation**

None Directly