

PART A

Report to: Audit Committee
Date of meeting: 10th January 2013
Report of: Head of Strategic Finance
Title: Four Reports from Grant Thornton

1.0 SUMMARY

- 1.1 Attached are four reports from the Council's External Auditor, Grant Thornton. The reports cover the following issues:
- Review of Arrangements for Securing Financial Resilience
 - Annual Audit Letter 2011/2012
 - Fee Letter 2012/2013
 - Certification Work Report 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 four reports in turn, the Head of Strategic Finance comments as follows:

3.1 Review of Arrangement for Securing Financial Resilience

- 3.1.1 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 23 Green symbols (no cause for concern), with 9 Amber 'light' (potential risks and / or weaknesses). There are no "red" high risk issues within the report.
- 3.1.2 If the Audit Committee studies all these indicators it will be evident that the overall strategy and financial planning and Governance of the Authority scores very highly and reflects the approach taken within the Medium Term Financial Strategy and the Finance Digest.
- 3.1.3 The amber notations tend to relate to the actual operating environment and reflects weaknesses within the benefits and ICT areas. Sickness/ absence is also highlighted as an area where improvement should be made.
- 3.1.4 The report includes recommendations to improve the current state of play (Pages 8 & 9). Attached to this covering report is the recommended Council response.
- 3.1.5 The Audit Committee is asked to consider the report of Grant Thornton and the recommended action points attached to this covering report.

3.2 Annual Audit Letter 2011/2012

- 3.2.1 This report notifies the Council that it received an unqualified audit opinion within the statutory deadline and that it also 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 highlights that Grant Thornton were presented with..."a comprehensive and high quality set of working papers". This is high commendation indeed (and is also a considerable improvement compared to the previous year). My thanks should be extended to the Head of Finance (Shared Services) and his extremely competent finance team.
- 3.2.3 The Committee is asked to consider the Report from Grant Thornton.

3.3 Fee Letter 2012/2013

- 3.3.1 This letter informs the Council of its fee requirements for auditing the 2012/2013 financial statements. It is gratifying to see a considerable reduction in the fee requirement and this is largely due to the demise of the Audit Commission (and its overhead costs). The fee requirement is now £99,618 and can be compared to the previous year fee of £134,000. This reduction has been reflected within the detailed estimates for 2013/2014 (albeit the estimates always allow for a contingency sum as Grant Thornton often have to do some additional work in connection with the certification of grant claims).

3.3.2 The Fee Letter also indicates the timetable for audit work in 2012/2013.

3.4 Certification Work Report 2011/2012

3.4.1 This report details the certification of grant claims during 2011/2012 and potentially represents a great financial risk for the Council in relation to the Housing and Council Tax Benefit Scheme. This claim for subsidy payment from the DWP totals circa £40.7m and Grant Thornton are required to test the validity of payments made to benefit recipients. Should GT find any errors within the samples that they verify then GT are required to assume that same level of error applies throughout the subsidy claim. So for example, if GT were to find one case out of a sample of 20 was incorrect then it is required to assume a 5% error rate which then results in a 5% 'claw back' of subsidy received from the DWP. What often occurs is that GT will carry out a further sample of 40 cases to hopefully mitigate the situation.

3.4.2 It is of considerable relief that GT has found no cause to amend the actual financial return to the Council.

3.4.3 The report does however indicate that not everything is perfect. One claim was submitted after the deadline and is due to the fact that I requested the Benefits Division to carry out quality checks on a sample of benefit claims before the Final Claim was submitted. This is a wise precaution as it is better that we find any errors and amend the claim accordingly rather than GT discover any discrepancies with the extrapolation claw back processes referred to in paragraph 3.4.1.

3.4.4 The overall situation within both Revenues and Benefits has improved considerably from the previous year and the Audit Committee can rest assured that I will ensure the Action Plan at Appendix C is fully progressed.

3.4.5 My considerable thanks is due to both the Revenues and Benefits Shared Services Division and also to Grant Thornton for the considerate way they have handled the certification process.

3.4.6 The Audit Committee is requested to note this extremely satisfactory outcome.

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