

Report to: Audit Committee
Date of meeting: 30 June 2011
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:
- Audit Progress Report June 2011
 - Certification Work - Planning Memorandum
 - Accounts Audit Approach Memorandum
 - Annual Governance Statement: Adding Real value?

2.0 **RECOMMENDATIONS**

- 2.1 That the Committee considers carefully the reports and note that they will be extremely valuable documents in planning an orderly audited closure of the 2010/2011 Final Accounts.

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3.0 **Detail**

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

3.1 **Audit Progress Report June 2011.**

This report is actually covered within the following two reports.

3.2 **Certification Work – Planning Memorandum**

This report confirms that arrangements for the approach, criteria and certification of grant claims are similar to previous years. There were issues arising out of the 2009/2010 Housing and Council Tax Benefit Subsidy Claim (and as referred to within the attached Paper). Due to the constructive help of Grant Thornton, the Subsidy Claim was approved by the Department for Works and Pensions without amendment or the claw back of any subsidy. It is hoped that the certification work for 2010/2011 will prove more straightforward as there has been no part year change of revenues and benefits software—as occurred in 2009/2010.

3.3 **Accounts Audit Approach Memorandum**

This report clarifies the Grant Thornton approach to auditing the final accounts for 2010/2011. The guidance includes definitions of materiality, reliance on Internal Audit, and the internal control environment. It particularly focuses upon compliance with International Financial Reporting Standards, financial sustainability going forward, appropriate valuation of assets, and finally the ICT control environment. The report includes an overall timetable which Finance Shared Services must adhere to and its clarity is welcomed.

3.4 **Annual Governance Statement: Adding Real Value?**

The final report, in many ways, has been received three months too late. The Annual Governance Statement for Watford appears elsewhere on the Agenda of this Committee. It does have real status within the Council and has been initially prepared by the Heads of Strategic Finance (Section 151 statutory officer) and Legal and Property Services (statutory Monitoring Officer). It has subsequently been considered by the Council's Leadership team on 31st May and amended accordingly.

3.5 Where agreement with the attached Grant Thornton report can be readily given relates to the length of local authority governance statements which have been, in many respects, governed by the former Comprehensive Performance Assessment/ Use of Resources checklist supported by the detailed guidance provided by CIPFA/ SOLACE. For comparison, the recent Statement of Accounts for Henry Boot PLC (partner in developing the Charter Place Redevelopment Scheme) indicates a Corporate Governance Statement of under three pages long. Whether it would meet the main aims in the Grant Thornton attached Paper is however open to question.

3.6 Two of the key aims of the Council has to be to:

- do better with less (following the requirement for leaner government)
- get it right first time

The Annual Governance Statement elsewhere on this evening's Agenda is considerably shorter than in previous years (due to the increased freedom following the demise of the CPA/ UOR process which, despite protestations, encouraged slavish adherence to process). The AGS is however completed and has been considered at the highest levels. It is not the intention therefore to revisit

it for 2010/2011 as this will defeat (through no fault of Watford's authors) the 'get it right first time' objective.

3.7 It would however be the intention to update the significant issues section of the Governance Statement to reflect any further matters arising out of Grant Thornton's audit work. It is hoped that this compromise will be acceptable to our external auditors.

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 the accounts are not statutorily finalised by 30 th June 2011	1	4	4
That the Accounts are found to be materially misstated when audited by Grant Thornton.	1	4	8

4.4 **Staffing**

None Directly

4.5 **Accommodation**

None Directly