



Haringey Council

Agenda item:

[No.]

Cabinet

On 26 January 2009

Report Title: **Annual Audit Letter 2008/09**

Report of: **Chief Financial Officer**

Signed :

Contact Officer : Gerald Almeroth, Chief Financial Officer

Wards(s) affected: **All**

Report for: **Key Decision**

1. Purpose of the report

1.1. To receive the Annual Audit Letter for 2008/09 from the Council's external auditors, Grant Thornton and to note the issues raised and actions being taken.

2. Introduction by the Cabinet Member for Resources

2.1. I welcome the external auditors' overall positive assessment of the Council. I am particularly pleased with the overall Use of Resources score of 3 out of 4, which shows the Council is performing well in terms of managing its finances and resources.

2.2. I also note the areas for improvement and the actions in place which respond to those issues highlighted.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. The Annual Audit Letter is part of the formal process of external audit and provides an independent assessment of the Council's position in terms of progress in meeting its strategic objectives.

4. Recommendation

- 4.1. To receive the Annual Audit Letter for 2008/09 and to note the Council's response.

5. Summary

- 5.1. The Annual Audit Letter for 2008/09 summarises the key issues arising from the work undertaken by the external auditors; Grant Thornton, during their 2008/09 audit work. The main two areas of audit work are in respect of the audit of the accounts and the Use of Resources assessment under the new Comprehensive Area Assessment (CAA) process.
- 5.2. In terms of the audit of the accounts for 2008/09 the Council received an unqualified opinion from the external auditors. This was formally reported to the General Purposes Committee on 24 September 2009 within the statutory deadline. The auditors also reported that the Council has improved performance against key targets in the certification of grant claims and returns.
- 5.3. In respect of the Use of Resources the overall score was assessed as a 3 out of 4 (performing well). The auditors also concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009, except for producing relevant and reliable data and information to support decision making and manage performance. This was formally reported to the Audit Committee on 5 November 2009.
- 5.4. This report also outlines how the Council is addressing the key issues raised by the external assessment process and summarises the actions, which are being monitored through the Audit Committee.

6. Head of Legal Services Comments

- 6.1. The Head of Legal Services has been consulted on the content of this report and has no specific comment to make.

7. Service Financial Comments

- 7.1. The resource implications for implementing the actions recommended in the Annual Audit Letter have been considered as part of the overall financial and business planning process. The majority of actions are included within the existing approved budget although a small investment bid for implementation of International Financial Reporting Standards has been put forward for Members to consider.

8. Use of appendices /Tables and photographs

- 8.1. Annual Audit Letter 2008/09 – Grant Thornton

9. Local Government (Access to Information) Act 1985

10.1 The following background papers were used in the preparation of this report:

- Report of Chief Financial Officer to General Purposes Committee on 24 September 2009 – Annual Governance Report 2008/09
- Report of Chief Financial Officer to Audit Committee on 5 November 2009 - Comprehensive Area Assessment (CAA) Auditor's Report on the Use of Resources 2008/09

10. Background

- 10.1. The Annual Audit Letter for 2008/09 is compiled by the Council's appointed external auditors Grant Thornton. It summarises the conclusions and significant issues arising out of the audit work for the Council in the preceding year. It includes information from the audit of the Council's accounts, the Use of Resources Assessment and the certification of claims and returns.
- 10.2. The Annual Audit Letter for 2008/09 from Grant Thornton is an important external assessment of the Council's overall position and the Use of Resources element features as a major part in the framework under the new Comprehensive Area Assessment and individual Organisational Assessment.
- 10.3. The auditors' findings have been reported previously to the General Purposes Committee and to the Audit Committee and actions agreed in response. The Audit Committee is responsible for monitoring the implementation and progress of the detailed actions, which are summarised in this report. The auditors have also agreed the substance of the detailed actions.

11. Annual Audit Letter 2008/09

- 11.1. This is the second year of Grant Thornton operating as the Council's external auditor. Council officers have worked closely with Grant Thornton in preparation for and during the audit and a positive relationship existed continuing from the experience of the previous year.
- 11.2. In relation to the Council's 2008/09 statutory financial accounts an unqualified opinion was given by the auditors. This is a positive outcome and this also forms part of the input for the auditors' Use of Resources assessment.
- 11.3. The auditors concluded under the Use of Resources assessment that in overall terms the Council achieved a score of 3 out of 4 (performing well). This maintains the overall 3 from the previous year. A significant proportion of other local authorities received a reduced score in this assessment under the new CAA arrangements.

11.4. Under the value for money conclusion the auditors view is that the Council has at least adequate arrangements in all areas except for in its 'use of data' assessment. On this individual area a score of only 1 was achieved. This reflects the findings of the Joint Area Review and the Ofsted review in Children and Young People's Services and some other data quality spot checking issues in Housing and Housing Benefits.

11.5. The Use of Resources assessment comprises of three overall themes:

- Managing finances (overall score 3);
- Governing the business (overall score 2);
- Managing resources (overall score 3).

11.6. The Council has improved its performance in the work required for certification of grant claims and returns, in particular improvements in timeliness and reduced numbers of qualifications. A number of areas of weakness were identified in the data quality for the housing benefits claim and actions have been agreed to improve the performance on this for 2009/10.

12. Recommendation

12.1. To note the Annual Audit Letter for 2008/09 and the Council's response to the actions relating to the new audit recommendations as set out in the letter.

13. Summary Actions

13.1. A summary of the key actions are set out in the table below. These have been previously reported to the Audit Committee where progress will be monitored.

| Letter Section | Recommendations | Response | Responsible Officer |
|----------------|---|---|-------------------------|
| 1 | The Council needs to continue its preparations for the introduction of accounting under International Financial Reporting Standards (IFRS), including ensuring that asset valuation procedures are sufficiently robust and accounting for fixed assets is further strengthened. | The Council has a detailed project plan and project board responsible for implementing the new IFRS. The Council will continue to work closely with Grant Thornton to ensure timely implementation and careful management of the project risks. | Chief Financial Officer |

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| 1 | The Council should address, as a matter of priority, the identified weaknesses in data quality, including in the child protection and housing and council tax services, in order to achieve at least an "adequate" assessment in future. | An action plan to address the recommendations within the Use of Resources section of the letter was submitted to the Audit Committee on the 5 November 2009. The key actions for Children and Young People's Services are set out in the JAR Action Plan. | Director of CYPS / Chief Financial Officer / various officers as set out in the Audit Committee report |
| 3 | Use of Resources – in addition to the data quality issue a number of possible areas of improvement were highlighted | An action plan to address the recommendations within the Use of Resources section of the letter was submitted to the Audit Committee on the 5 November 2009. | Chief Financial Officer |
| 4 | Certification of claims and returns | An action plan to address the recommendation on data quality and the Housing and Council Tax benefit claim was submitted to the Audit Committee on the 5 November 2009. | Chief Financial Officer |

