

Agenda item:

**[No.]**

**Cabinet**

**On 25 January 2011**

Report Title: **Annual Audit Letter 2009/10**

Report of: **Director of Corporate Resources**

Signed :

Contact Officer : Kevin Bartle, Lead Finance Officer

Wards(s) affected: **All**

Report for: **Key Decision**

**1. Purpose of the report**

1.1. To receive the Annual Audit Letter for 2009/10 from the Council's external auditors, Grant Thornton and to note the issues raised and actions being taken.

**2. Introduction by Cabinet Member for Finance and Sustainability**

2.1 The attached Annual Audit Letter summarises the key issues arising from the work undertaken by our external auditors during the year.

2.2 I am pleased to report to members of the Cabinet that the auditors issued an unqualified opinion on the Council's accounts for 2009/10 and they concluded that the Council had made proper arrangements in securing value for money.

2.3 It is also pleasing to note that the auditor has highlighted an improvement in our management arrangements in a number of key areas including data quality.

2.4 We will ensure the recommended actions in response are fully implemented.

2.5 I commend the auditor's letter to you.

**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 2009/10 and to note the Council's response.

#### **5. Summary**

- 5.1. The Annual Audit Letter for 2009/10 summarises the key issues arising from the work undertaken by the external auditors, Grant Thornton, during their 2009/10 audit. The main two areas of audit work are in respect of the audit of the accounts and the Value for Money conclusion.
- 5.2. In terms of the audit of the accounts for 2009/10 the Council received an unqualified opinion from the external auditors. This was formally reported to the General Purposes committee on 23 September 2010 within the statutory deadline.
- 5.3. In respect of the Value for Money conclusion, the auditors 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 2010. This was formally reported to the Audit Committee on 2 November 2010.
- 5.4. The auditors work on the certification of grant claims and returns is ongoing. The results of that work will be formally reported to the April 2011 Audit Committee.
- 5.5. The report also outlines how the Council is addressing the key areas for action raised by external audit in the Annual Audit Letter.
- 5.6. Monitoring of the actions undertaken by the Council in response is planned to be carried out by the Audit Committee who will be presented with the letter at its meeting on 3<sup>rd</sup> February.

#### **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 and are included within the previously approved budget.

#### **8. Use of appendices /Tables and photographs**

8.1. Annual Audit Letter 2009/10 – 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 Director of Corporate Resources to General Purposes Committee on 23 September 2010 – Annual Governance Report – to consider the statutory report of Grant Thornton, the Council’s appointed auditor
- Report of Grant Thornton to Audit Committee on 2 November 2010 – Value for Money 2009/10

## **10. Background**

- 10.1. The Annual Audit Letter for 2009/10 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 Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources and the certification of claims and returns.
- 10.2. The Annual Audit Letter for 2009/10 from Grant Thornton is an important external assessment of the Council’s overall position.
- 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.

## **11. Annual Audit Letter 2009/10**

- 11.1. This is the third 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 continues to exist.
- 11.2. In relation to the Council’s 2009/10 accounts, an unqualified opinion has been received. This is a positive outcome for the Council.
- 11.3. The auditors’ Value for Money (VFM) 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 2010”.
- 11.4. The Council has improved its management arrangements in a number of areas, including data quality, commissioning and procurement and asset management and the auditors’ view is that the Council’s implementation of IFRS is on track.

They also highlighted a number of areas for improvement. Council responses to these key areas are set out below.

- 11.5. Audit work on the certification of grant claims and returns is ongoing. The outcome of this work will be formally reported to the Audit Committee in April 2011.

## 12. Recommendation

- 12.1. To receive the Annual Audit Letter for 2009/10 and to note the issues raised and actions being taken. Progress on the implementation of actions will be reported to the Audit Committee.

## 13. Summary Actions

- 13.1. A summary of the key actions are set out in the table below.

<b>Recommendations</b>	<b>Response</b>	<b>Responsible Officer</b>
The impact of the changes to local government funding are taken into account in all future financial plans - in doing this the Council will need to review the services it delivers and how it delivers them and where savings and changes can be made whilst minimising the impact on the standard of service delivery	In the light of the government funding reductions, the Council's overall service structure is being reviewed alongside detailed individual service reviews. These reviews are taking place as part of the Medium Term Financial Planning which includes an extensive budget consultation process, Equality Impact Assessments and robust budget scrutiny.	Chief Executive and the senior management team

<b>Recommendations</b>	<b>Response</b>	<b>Responsible Officer</b>
<p>The Medium Term Financial Strategy is reviewed in the light of the Spending Review and is subject to robust stress testing and sensitivity analysis</p>	<p>The process of reviewing the Medium Term Financial Strategy is already well underway. A detailed report was submitted to Cabinet on 21<sup>st</sup> December 2010 and further reports are planned for January and February 2011. The scrutiny of investment and savings proposals commenced in January 2011. The review process will continue to be supported by robust budget monitoring arrangements that ensure that all service proposals are subject to sound financial analysis.</p>	<p>Director of Corporate Resources</p>
<p>It continues to emphasise the importance of data quality, including housing benefit information, to prevent any relaxation in compliance</p>	<p>As a result of concerns raised in the previous Annual Audit Letter the Council has put in place a more rigorous regime for maintaining the integrity of its data quality. The associated systems and procedures will continue to be closely managed and monitored.</p>	<p>Director of Corporate Resources</p>
<p>There is a continued focus on the production of its first IFRS compliant accounts in 2010/11, including ensuring that there are sound arrangements for the valuation and accounting for property assets</p>	<p>The Council has a detailed project plan responsible for implementing the new IFRS. We will continue to work closely with Grant Thornton to ensure timely implementation and careful management of the project risks.</p>	<p>Director of Corporate Resources</p>