London Borough of Haringey

Annual Audit Letter 2010/11

December 2011

Contents

Appendices

1. Executive summary

Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at the London Borough of Haringey Council ('the Council') during our 2010/11 audit. The Letter is designed to communicate our key messages to the Council and external stakeholders, including members of the public. The letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

What this Letter covers

This Letter covers our 2010/11 audit, including key messages and conclusions from our work in:

- auditing the 2010/11 year end accounts (Section 2)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved. (Section 3)
- certification of grant claims and returns to various government departments and other agencies (Section 4)

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our main audit conclusions for the year

The 2010/11 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Context

In the current financial climate, the Coalition Government's continuing priority is to reduce the deficit whilst ensuring the economic recovery continues. Savings of over £81 billion are planned from Government spending by 2015, including a 26% reduction in grants to local government over the four year period. At the same time, the Government has stated that it is their aim to reduce top-down government and devolve power and give greater financial autonomy to local authorities by a range of measures including:

- further reducing ring-fenced central government grants
- changes to the Housing Revenue Account from April 2012 whereby councils will keep their own rental income but in return will take on a share of the £21billion national council housing debt as part of a 30 year business plan
- planned changes to the administration of business rates so that any council that expands its business base would see increased business rates that it would be able to keep.

This Letter has been written in the context of the significant change agenda in which the Council is operating. The Council is experiencing increased demand for services such as children going into care and housing benefits, coupled with lower than expected income in areas such as recreation services and parking. Communities and Local Government (CLG) grant funding was reduced by 13% for 2011/12 . In cash terms the settlement represented a funding reduction of £34m for 2011/12, with the final savings requirement of £41m for the year, when growth items were taken into account. The Council has identified that it needs to make approximately £84m of savings over the life of its current Medium Term Financial Plan (2011-2014), a major challenge. The Council has addressed its savings requirement for 2011/12 and is making good progress in bridging the gap for future years.

Whilst the Council has an adequate level of general reserves and is not currently planning on using these to support the revenue budget, like all other local authorities it needs to meet the significant savings targets within its Medium Term Financial Strategy.

Key Messages

Accounts audit

2010/11 was the first year that councils were required to prepare their accounts under International Financial Reporting Standards (IFRS). As part of the work undertaken on the audit of the accounts, we assessed whether there had been any departures from the requirements of the CIPFA Accounting Code which is IFRS compliant. We agreed with the Council that under IFRS the accounts of Alexandra Park & Palace (AP&P) Trust should be consolidated into the Council's Group Accounts. The Council planned for the move to IFRS at an early stage and this is reflected in the outcomes of our audit, where there were no other significant departures from these requirements.

We issued an unqualified audit opinion on 30 September 2011, although the Council was delayed in its preparation for the Whole of Government Accounts return along with many other Local Authorities. Further details can be found in section 2 of this Letter.

Value for Money

We also issued an unqualified VFM conclusion on 30 September 2011 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011. As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term and concluded that the Council was effectively planning to address known changes to levels of funding. We note that the Council started its 2012/13 budget setting process earlier than in the previous year. The Council is maintaining its focus to ensure savings are effectively delivered whilst maintaining priority services. Further details can be found in section 3 of this Letter.

Grants certification

We have completed our work on all of the claims to be certified. Five of the eleven claims were amended and one claim qualified. The qualification of the Housing and Council Tax Benefits Scheme was much reduced in scale and nature when compared to 2009/10. The Council's arrangements for preparing the 2010/11 claim improved considerably from previous years and the level of errors identified during the course of our work was reduced and the risk of any subsidy loss has been lessened.

Key areas for Council action

We highlight the following key areas that the Council should continue to focus on in 2011/12:

- The Council should continue to monitor its Medium Term Financial Plan during delivery, in particular in relation to changes to key assumptions, such as the impact of demographic change and price inflation in the medium term, and the outcome of the Government's funding settlement for the final two years of the plan.
- The Council needs to ensure that it continues to plan for future changes to financial reporting, particularly in relation to the accounting treatment of schools and of heritage assets.
- The Council will continue to work closely with Alexandra Park & Palace to ensure that accounts closedown timetables are aligned.
- The Council will need to ensure that it effectively continues to address the many changes that it faces in 2011/12 including those brought about by the Localism Act, the distribution of Business Rates, localisation of Council tax benefits and major changes to the funding of the Housing Revenue Account.
- The Council will also need to continue to assess the impact of the Olympics on the borough.

The context for these key messages can be found in this Letter. A list of the reports issued during the year can be found at Appendix A. Recommendations have been raised within the reports listed and the Council should ensure that these recommendations are implemented as planned. Appendix B sets out our actual and budgeted fees for 2010/11.

Acknowledgements

This Letter has been agreed with the Director of Corporate Resources and will be presented to the Corporate Committee on 23rd January 2012.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP

December 2011

2. Audit of the accounts

Introduction

We issued an unqualified opinion on the Council's 2010/11 accounts on 30 September 2011, meeting the statutory certification deadline. Our opinion confirmed that the accounts give a true and fair view of the Council's financial affairs at 31 March 2011 and of its income and expenditure for the year.

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Corporate Committee at the Council). We presented our Annual Report to those Charged with Governance to the Corporate Committee on 27 September 2011 and summarise only the key messages in this Letter.

We were presented with draft financial statements on 30 June 2011, meeting the statutory deadline. The working papers provided were overall of a good standard; however, we have raised some recommendations in relation to the quality of the working papers to support debtors and creditors, and the documentary evidence to support the assumptions used by the valuers when conducting their fixed asset valuations.

As usual, we received good support from the Council's finance team to support us throughout the course of the audit. However, changes in the finance function meant that the provision of information was slower and more inconsistent than in previous years.

Councils were required to publish their final audited accounts by 30 September 2011 in accordance with the requirements of the Accounts and Audit (England) Regulations 2011 (including publication on the authority website). The Council did not meet this requirement, publishing its accounts on the website on 31st October 2011. We note that the draft accounts, at the time, were published for the Corporate Committee on 27th September 2011.

International Financial Reporting Standards

2010/11 was the first year that councils were required to prepare their accounts under International Financial Reporting Standards (IFRS). We undertook a review of the Council's preparedness in spring 2011 and assessed the arrangements for re-stating each line of the balance sheet on a RAG basis (Red, Amber, Green). Overall we rated the Council's arrangements as being Amber.

As part of the work undertaken on the Audit of the accounts, we assessed whether there had been any departures from the requirements of the CIPFA Accounting Code which is IFRS compliant.

We agreed with the Council that under IFRS the accounts of Alexandra Park & Palace Trust should be consolidated into the Council's Group Accounts. The Council started planning for the transition to accounting under IFRS in early 2009 and this is reflected in the fact there were no other significant adjustments made to the accounts as a result of this transition.

Audit of the accounts

Misstatements that were identified by the management team during the course of the audit and subsequently adjusted include:

- The property, plant and equipment note was revised at the start of the audit due to errors identified as part of the reconciliations carried out by the Council. This has increased the closing net book value reflected within the balance sheet by £10.915m.
- During the year the Council made a £2.103m long term loan to Alexandra Palace & Park to facilitate refurbishment of the ice rink. This had been incorrectly treated as Revenue Expenditure Funded from Capital Under Statute. An adjustment was identified in order to place the loan onto the Council's balance sheet as a debtor as AP&P will be repaying it over a 12 year term.

We recommended a number of adjustments to the draft accounts, the most significant of these being:

- £42.866m increase of long term debtors and bad debt provision. This relates to the requirement under IFRS for the Alexandra Park & Palace accounts to be included within the Council's Group Accounts. As a result of this AP&P's cumulative deficit of £42.9m which has been funded by the Council needs to be reflected within the Council's balance sheet.
- £11.855m increase of property, plant & equipment and decrease of Capital Adjustment Account. This related to depreciation on council dwellings not reversed in previous years.
- £6.015m increase of creditors and decrease of provisions. This related to the holiday pay accrual, required under IFRS, being classified as a provision instead of an accrual.

The adjustments made to the balance sheet were of a presentational nature only and had no overall net effect on the Council's reported assets and liabilities. No adjustments were made that impacted on the Council's income and expenditure position.

We identified a number of areas where improvements could be made to the processes in place to prepare the accounts. The actions agreed with the Council to minimise the chance of errors occurring in the 2011/12 accounts were included in our Annual Report to those Charged with Governance and we will follow up on progress as part of our 2011/12 audit. We have also subsequently held an accounts debrief discussion with the Council and have developed a further action plan for improvement.

Financial performance

The Council's achieved a £51k underspend against its 2010/11 budget. As at the end of quarter 2 (September) of 2011/12, the Council was projecting a £1.75m overspend against its planned budget for the year. This represents 0.6% of the total budget. The Council understands the reasons for the variance against budget and has taken steps to ensure that departments formulate and implement action plans to ensure that they remain within their agreed budgets. The main pressure point remains Children's Services.

General Fund (GF) reserves have increased over the three year period to 31 March 2010, whilst the London Borough average is on a decreasing trend. The level of GF reserves at 31 March 2011 for the Council (£10.5m) remains lower than the London borough average of £14.6m, although it should be noted that GF reserves represent only one source of funding for future years costs and the Council has access to further earmarked reserves albeit the redundancy programme has diminished them in year. Overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks.

We will continue to keep the Council's financial position under review as part of our 2011-12 audit and the follow-up work we have planned on the Financial Resilience element of our VFM review.

Financial systems

We undertook work on key financial systems sufficient to support our approach to the accounts audit. The work was in three main areas:

- review of key financial controls for the purpose of designing our programme of work for the financial statements audit
- assessment of the work of internal audit to help inform our risk assessment of the adequacy of the Council's financial systems for producing the 2010/11 accounts
- high level review of the general IT control environment

Our work did not identify any control issues that present a material risk to the accuracy of the financial statements. However, our work did identify a number of areas which require strengthening. Recommendations were made within our Annual Report to those Charged with Governance and the Council is progressing their implementation. We will follow up on the progress of this as part of our 2011/12 audit.

Annual Governance Statement and Explanatory Foreword

We examined the Council's arrangements and processes for compiling the Annual Governance Statement (AGS) and read the AGS and Explanatory Foreword to consider whether they were in accordance with our knowledge of the Council. Our review of internal audit also supported our review of the Annual Governance Statement (AGS) which in turn informs our VFM conclusion and our audit of the financial statements.

We concluded that the AGS and Explanatory Foreword were consistent with our knowledge of the Council, subject to a small number of proposed adjustments, which management incorporated into the final versions of the documents. The Council had adequate processes in place to ensure that the AGS was updated to reflect developments up to the date of the signing of the accounts.

Certification Arrangements

We received a question from a member of the public who was concerned about schools' financial arrangements. In response we selected a sample of schools' expenditure and checked to ensure that it was in line with the schools' finance manuals. No issues were noted from the work carried out.

We received no other questions or objections in respect of the financial statements for the year ended 31 March 2011 and were able to issue our audit certificate on the same date as signing the accounts.

National Fraud Initiative

We have completed the Audit Commission's mandated Auditor Risk Assessment of the Council's progress in following up the 2010/11 NFI exercise. We have rated the Council as 'Amber', in line with our previous assessment in 2008/09. £461k of Fraud and error had been recorded as prevented/detected in the 2008/09 NFI web application as at the end of March 2011 which is comparable to the other London boroughs known to us.

For 2010/11 65% of key reports had been opened at the time of our review but some 'high quality' match reports had not, for example Housing Benefit claimants matched to student loans. We are told by the Council that where it is sure the matches are good and meet priorities it pursues them e.g. it has looked at Housing Benefit to Payroll matches and Blue Badges matches have led to 50 badges being recovered.

The Council is working towards the December deadline to look at all of the reports, but may well not achieve this for low risk reports, where the match is an address only, and for low priority areas. As of yet the Council has not recorded any outcomes (i.e. value of fraud identified) on the 2010/11 NFI system.

Whole of Government Accounts (WGA)

The Council submitted its draft WGA L Pack for audit on 3 October, missing the Department for Communities & Local Government (CLG) deadline of 29 July.

We were therefore not able to submit the audited WGA to the CLG by the deadline of 30 September. Nationally there was an increase in the number of authorities not meeting the WGA deadline this year. For reporting purposes the Audit Commission has accepted that this is likely to have been due in part to the introduction of IFRS reporting requirements and the extra burden this has placed on council finance teams.

The draft WGA required various revisions and some delays occurred in responding to our queries being answered and the necessary revisions being made. The audited return was signed and submitted to the CLG on 17 October 2011.

3. Value for money

Introduction

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We were required to give our conclusion based on the following two criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

In discharging this responsibility, we are required to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements.

Key Conclusions

We issued our annual VFM conclusion on 30 September 2011, at the same time as our accounts opinion, meeting the required deadline of 30 September. We concluded that, for 2010/11, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Although we have assessed the Council as having proper arrangements in place to meet all the Code criteria, there are some areas where the Council can improve its arrangements. These are detailed below.

- In common with many councils, there was an understandable lack of significant alternative savings scenarios in advance of the Comprehensive Spending Review in 2010 (SR10) and the finance settlement. This resulted in some aspects of the 2011/12 budget planning process being rushed. This impacted on the ability of some services to finalise savings and budget assumptions prior to the start of the 2011/12 financial year. Although we note that this did not impact the delivery of savings and the Council had set aside a contingency of £1.8m.
- Regarding personal budgets in adult social care (see page 12), the key weakness we identified was in relation to the fraud risk attached to the use of direct payments. The Council currently does not carry out systematic reconciliations of users' bank statements and expenditure records. Particularly in the current economic climate it is our view that the controls against the inappropriate use of funds need to be strengthened.

Value for Money projects undertaken during the year

Financial resilience

We undertook a review of the Council's financial resilience to inform our VFM conclusion. Key findings are within the table below.

Area of review	Key Findings	Summary level risk assessment
Key indicators of performance	• Benchmarked key indicators of financial performance indicate that, in general terms, the Council is following recent trends of the London Borough comparator group for most indicators. These trends, however, indicate reductions in liquidity, reducing Dedicated Schools Grant balances, and above average borrowing levels. • Overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks. • The Council's 2010/11 revenue outturn provided a net general fund surplus of £51k. This represented a £1.6m improvement on the period 11 outturn forecast.	Green
Strategic financial planning	• The Council strengthened its financial planning process in light of the Government's deficit reduction programme. It is clear that the Council took account of its corporate priorities when setting what was a challenging budget. • In common with many councils, the understandable lack of significant alternative savings scenarios in advance of SR10 and the finance settlement resulted in some aspects of the planning process being rushed. This impacted on the ability of some services to finalise savings and budget assumptions prior to the start of the 2011/12 financial year. • This has been recognised by the Council and it is on track to conclude its review of the 2012/13 budget significantly earlier than the previous year. It is also making a provision of £1.8m in the MTFP for slippage in delivering savings. However we recognise that the Council is still on track to deliver the 2011/12 savings target. • Work is still required to meet the outstanding budget gap within the MTFP, particularly for the 2013/14 year and beyond.	Amber

Key: High risk area   Potential risks and/or weaknesses in this area   No causes for concern

·Financial resilience (cont.)

Area of review	Summary observations	Summary level risk assessment
Financial governance	• The Council has a well established approach to financial governance that has delivered solid results in recent financial years. • Significant reductions to finance resource, allied to reductions in service manager posts and some operational challenges in relation to the use of some key financial systems raise risks in relation to the role and responsibilities of the "Haringey Manager". The Council understands these risks and is progressing mitigating actions. However, as with many other local authorities, failure to embed the necessary cultural, system, and process changes could impact on the Council's financial governance effectiveness.	● Green
Financial control	• The Council has a robust approach to financial and performance management, and has a largely good record in controlling spend in non demand led services. The Council also demonstrates appropriate deployment of internal and external assurance mechanisms. • Whilst key financial systems have historically been used to provide reliable financial monitoring information for the Council to manage financial risks in a timely way, the current procedures incorporate labour intensive work around activities that may be challenging for the restructured organisation to deliver. As already noted, the Council understands the risks associated with this change and is progressing mitigating actions. We see achieving the financial management cultural change throughout the organisation as one of the Council's biggest barriers to delivering effective budgetary controls in the period beyond delivering the front ended savings of the SR 10.	● Green

Key: ● High risk area ● Potential risks and/or weaknesses in this area ● No causes for concern

Challenging VFM

We undertook the following reviews during the year to inform this aspect of our VFM conclusion.

Personal Budgets in Adult Social Care

A personal budget (PB) is an allocation of money for an individual to spend on a support plan. The individual completes a questionnaire and then develops the support plan, with social care professionals, to meet a jointly agreed set of needs. PBs give users a transparent and agreed allocation of funding and the power to choose how to spend that money in the way they think most suitable to meet their needs.

In 2007 the government, through the concordat 'Putting People First', made PBs one of the cornerstones of personalising social care. The Department of Health expected that by April 2011 30% of all eligible social care users or carers should have a PB. The policy direction described in 'Putting People First' is broadly continued in the coalition government's 'Vision for Adult Social Care: Capable Communities and Active Citizens'. The government has said it is committed to ensuring PBs are available to all recipients of ongoing state funded social care by 2013 as a response to rising public expectations of choice and quality and increasing demand. The challenge for all Councils in implementing PBs is the financial environment that they are operating in and the significant overall reductions in Local Government funding in the period to 2015.

The purpose of our review was to assess the progress made by the Council towards PBs and whether plans were implemented at the required pace to achieve the 30% milestone as set by 'Putting People First'.

Our overall conclusion was that the Council has made good progress within a challenging budgetary environment, but that there are some areas for improvement. The Council has worked hard over the past four years to embed personalisation via the Transforming Social Care Programme Board (TSCPB). Stakeholder engagement is good, particularly with users and carers via user reference groups. The Council performed well in terms of the national quality outcomes survey which centred on the experience of people receiving a personal budget and the difference it made to their lives. The Council is taking steps to safeguard users via its locally produced Supplier Accreditation process. It is committed to developing the market and to driving down costs for users.

It was unclear as to whether the Council was able to meet the 'Putting People First' target of 30% of adult social care users being in receipt of a personal budget by April 2011. The performance numbers are not independently audited and the percentages reported by authorities differ substantially, depending on source and compliance with definition and what has or has not been included in the community base figure. However, the unequivocal indicator that performance at the Council has improved is the significant increase in the numbers of users in receipt of a PB. This has increased from 17 in 2009/10 to 278 in 2010/11 and we were told that the number as at August 2011 was 453.

The key weakness we identified was in relation to the fraud risk attached to the use of direct payments. The Council currently does not carry out systematic reconciliations of users' bank statements and expenditure records. Particularly in the current economic climate it is our view that the controls against the inappropriate use of funds need to be strengthened.

The Council recognises this is a risk and at the time of our review had drafted a 'Personal Budget Audit Policy'. It is our understanding that this has now been completed, is out for consultation and is expected to be rolled out in November / December 2011.

Follow-up of Review of Partnerships

In March 2010 we issued our 'Partnership working in Haringey' report. As part of our VFM work for 2010/11 we followed up this report, looking at progress made against the recommendations raised. The situation has changed considerably since the time of our review, particularly in light of the government's deficit reduction strategy. The removal of many of the requirements of Local Area Agreements has meant that the Haringey Strategic Partnership (HSP) needed to look again at its structure and the costs and resultant outcomes that were being achieved. In addition, the reorganisation of the NHS has put strain on the Health and Wellbeing Board. The HSP Executive instigated a further review of its structure by external consultants, which encourages the view of partnership working as 'business as usual'.

Key issues raised in our 2010 review that the HSP still needs to focus on are:

- Theme board effectiveness – the Council is currently undertaking a 'mapping exercise' which will document the decisions, actions and outputs of each theme board over the past two years. This will appropriately inform any decisions to be made regarding changes to these boards and the structure of the HSP as a whole.
- Joint Strategic Needs Assessment (JSNA) – with potential changes occurring to the form of the theme boards, the HSP needs to ensure that engagement in JSNA priority setting for 2011/12 is maintained regardless of the structures in place.
- Community and Voluntary sector (CVS) involvement – the Council needs to carefully manage its relationship with the Haringey Association of Voluntary and Community Organisations (HAVCO) and CVS groups as it makes the transition to commissioning services rather than giving grants direct to CVS bodies.
- Private sector involvement – The Council has been involved with the Haringey Business Board, North London Business and North London Strategic Alliance as part of the future development of the borough. The Council has also been working with key developers in the Tottenham area. The Council continues to prioritise retention and creation of jobs in the borough.

The Council is in the process of implementing the outcomes of the HSP review.

Follow-up of review of Governance

In December 2010 the Council commissioned external consultants to review the Council's governance arrangements. The purpose of our follow-up review was to gain assurance that the Council has taken on board the report's findings and has made efforts towards putting its recommendations into place. The work carried out does not suggest anything to the contrary.

We were provided with numerous Protocol documents which evidence the discussions held and conclusions made by the Council in relation to the recommendations. The Council have sited that there may be difficulties in implementing some of the recommendations but have treated these difficulties as challenges rather than reasons as to why the recommendations ought to be rejected.

As recommended in the report, the Council has introduced Area Committees to enable devolved decision making. These cover the same geographical area as the Area Assemblies which were already in place. The Area Committee Chairs form the core of the Overview and Scrutiny Committee.

In line with recommendations, the number of Council committees has been reduced from eight to five. The number of Full Council meetings has been reduced from eight or nine a year to five, with three of these being divided into two parts - a "Haringey Debate", where observers can attend and speak, and a formal business session when observers do not have speaking rights.

Given that a relatively small amount of time had elapsed between the submission of the report and our review, it is understandable that not all recommendations had yet been met. As the majority of recommendations had been addressed and good progress made this supported our unqualified VFM conclusion.

Conclusion

In addition to the reviews above, we followed up the VFM recommendations we made in 2009/10 and are satisfied that they have all been addressed. Finally, we considered the Council's performance against a number of key risk indicators. We concluded that there were no significant concerns that impacted on our opinion.

Our overall conclusion was that based on the work undertaken the Council had proper arrangements for challenging how it secures economy, efficiency and effectiveness but there were some areas (referred to above) where improvement should be made. We will follow up progress in implementing the agreed action plans as part of our 2011/12 audit.

Approach to local VFM work 2011/12

At time of writing there are no changes proposed to the approach to local Value for Money work in 2011/12. We will focus on the two key reporting criteria, namely:

- the Council has proper arrangements in place for securing financial resilience. This will include a detailed review of the financial arrangements in Children's services.
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We will determine a local programme of VFM audit work based on our audit risk assessment, informed by the criteria above and our statutory responsibilities and agree this with the Council. Areas for the Council to consider at this stage include:

- the Council's contract management arrangements
- the Council's corporate governance arrangements, in the context of benchmarking information on local authorities nationally

4. Grants Certification

Introduction

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2009/10 certification work we reported that performance had generally improved against the key performance measures but identified that the Council should work to continually reduce the number of claims requiring amendment.

We have completed the process of certifying the 2010/11 grant claims and returns. We will report in full on the findings of our work in our Grants Certification Report.

Summary of Findings to date

The Council submitted eleven claims and returns for certification. Of these, five claims were amended and one, the Housing & Council Tax Benefit Claim, was qualified. With the exception of the Housing & Council Tax Benefit Claim, all claims were certified by the required deadlines.

Housing & Council Tax Benefit Claim

This is the highest value grant claim that we certify. In April the Department for Work and Pensions (DWP) requested that further work be completed on the 2009/10 Housing and Council Tax Benefit subsidy claim. We undertook this work in June and July and the DWP has subsequently confirmed that the final adjustment to the claim is £8k.

The claim was qualified in 2010/11, the main reason being an error identified in that the assessment of a claimant's Child Tax Credit and Working Tax Credit had not been updated and this resulted in an overpayment of benefit. We completed further testing in this area in order to quantify the error further, and have reported to the DWP accordingly. At this stage we do not anticipate that there will be an impact on the Council's subsidy claim. The final audited claim was submitted on 30 December 2011, after the deadline but 2 months earlier than in the previous year.

The Council's arrangements for preparing the 2010/11 claim have improved considerably. The Council has introduced enhanced quality control procedures within the Benefits and Local Taxation Team, as well as instigating Internal Audit carrying out in-year reviews of benefit assessments. Compared to previous years the level of errors identified had reduced significantly, and the Council should be commended for the improvements noted.

National Non Domestic Rates Return

This is the second highest value grant claim that we certify. We completed the majority of the work required on the return by the certification deadline. However, as the Council had made a £7.5m manual adjustment to the return relating to prior years we were granted an extension by the Department for Communities and Local Government (CLG) in order to complete enough work to verify that this adjustment was valid.

We completed this work and identified that the amount due to the Council from the CLG should reduce by £10k. We reported our work separately to the CLG but the return was not qualified. The CLG has accepted this adjustment.

Appendices

A. 2010/11 reports issued

Report	Date Issued
Audit Plan	January 2011
Review of arrangements for implementation of International Financial Reporting Standards (IFRS)	March 2011
Audit Approach Memorandum	June 2011
Grants Certification Plan	July 2011
Report to Those Charged With Governance (ISA 260)	September 2011
Financial Resilience Report	September 2011
Personal Budgets in Adult Social Care	October 2011
Annual Audit Letter	December 2011
Grants Certification Report	Due January 2011

B. Audit and other fees 2010/11

Audit area	Budget 2010/11	Actual 2010/11
Financial statements	£360,000	£360,000
Value for Money conclusion	£145,000	£145,000
Total Code of Practice fee	£505,000	£505,000
Certification of grant claims and returns*	£178,750	**£140,000** (current estimate)

*The quoted fee for grant certification work is an estimate only and will be charged at published hourly rates.

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