
REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	22nd FEBRUARY 2012	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
MEMBERS' CONTACT POINT:	CHIEF FINANCE OFFICER KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/grant thornton /audit letters/covering report
SUBJECT:	GRANT THORNTON: ANNUAL AUDIT LETTER 2010/11	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 01

1.0 Recommendations

1.1 That the report is considered and approved and any issues arising are referred to Full Council where appropriate.

2.0 Purpose of Report

2.1 For Grant Thornton as the Council's appointed auditors, to present the Annual Audit Letter for 2010/11.

2.2 Under its terms of reference, the Committee is requested to consider the Report and raise any questions/issues accordingly.

3.0 Detail

3.1 The Annual Audit Letter summarises the key issues arising from the work that the External Auditor has carried out at the Council during 2010/11. The Letter is designed to communicate key messages to the Council and external stakeholders, including members of the public.

3.2 The letter has been published on the Audit Commission's website. It will also be published on the Council's website following this meeting.

3.3 The Letter covers key messages and conclusions from work on:

- Auditing the 2010/11 year end accounts.
- The accuracy of grant claims and returns to various government departments and other agencies.
- Assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure that Value for Money (Vfm) is achieved.

- 3.4 This includes comments on the Council's financial performance and position, its financial systems and other project based work undertaken in the year.
- 3.5 Much of the information contained in the Letter has already been reported to the Council. Since the writing of the Letter, there are some points that can be updated and/or require further clarification.

Financial Performance – Page 6

- 3.6 The Council reported an over spend of £312k against its agreed 2010/11 budget. Although this was the case overall, it is worth noting the report of the Chief Finance Officer to the Finance and Management Committee on 30th June 2011.
- 3.7 This stated that:

The overall variance shows a net "overspend" of £311,657. However, within this, a total of £344,000 has been paid in respect of statutory (one-off) termination costs associated with the Senior Management Review. This was all paid and accounted for in 2010/11 and not in 2011/12 as forecast in the MTFP.

Although this is clearly a variance when compared to the budget for 2010/11, the MTFP will be adjusted by a corresponding amount in 2011/12 to compensate. Therefore, this is purely a timing difference and is affordable within the Council's resources (as approved by the Committee in January 2011).

Spending From Earmarked Reserves

In addition, additional costs were incurred that were financed from earmarked reserves. These mainly related to approved underspendings brought forward from 2009/10, additional IT costs and other expenditure previously set-aside. In total, the net expenditure financed from these reserves totalled approximately £105,000.

After allowing for these changes relating to the senior management review and reserves, the variance on net "mainline" expenditure was actually a reduction of approximately £137,000. This compares with a projected variance (overall reduction) of £77,000 which was reported to the Committee in February as part of the 3rd Quarter's Performance Monitoring Report for 2010/11.

- 3.8 In addition, Page 6 of the Letter also indicates that the Council was reporting an over spend of £158k against its planned budget position for 2011/12 at the end of month six (September). The council understands the reason for the variance against budget and has agreed actions to address the situation.
- 3.9 The latest position is much more favourable and this was reported to the Finance and Management Committee on 14th February 2012. This showed a much more positive position with a projected underspend of £118k based on financial performance at month nine (December 2011).

Page 11 – Housing and Council Tax Benefit Claim

3.10 This highlights an overclaim in subsidy from the Government of £158,513. The Council has submitted a representation to the Department of Work and Pensions (DWP) on the extrapolated error. No formal response had been received at the date of the Letter.

3.11 Following further work and review, the Council has been able to demonstrate that the original claim was substantially correct and the final liability (or overpayment) has been confirmed by the DWP at £10,000. This was reported to the Finance and Management Committee on 14th February 2012.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

None

