

 <b>Finance and Audit Scrutiny Committee</b> <b>6 March 2018</b>		<b>Agenda Item No.</b> <b>4</b>
<b>Title</b>	External Audit	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No. Appendices A and B are confidential.	
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/A	
<b>Background Papers</b>	External audit papers included as appendices	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	23/2/2018	Andrew Jones
Head of Service	23/2/2018	Mike Snow
CMT	23/2/2018	
Section 151 Officer	23/2/2018	Mike Snow
Monitoring Officer	23/2/2018	Andrew Jones
Finance	23/2/2018	Jenny Clayton, Dave Leech, Andrea Wyatt
Portfolio Holder(s)	23/2/2018	Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 This report brings to members' attention various matters from Grant Thornton, the Council's external auditors.

## 2. **Recommendations**

It is recommended that Finance and Audit Scrutiny Committee:-

- 2.1 Note the conclusion of the 2013/14, 2014/15 and 2015/16 audits.
- 2.2 Note the findings within the auditor's letters in respect of the objections to the 2013/14 accounts that in effect the Council had no case to answer with a considerable cost being incurred by the local taxpayer for no good reason.
- 2.3 Note the conclusion of the audit of the 2016/17 Benefits Subsidy.
- 2.4 Note the conclusion of the audit of the 2016/17 Pooling of Housing Capital Receipts return.
- 2.5 Agree the 2017/18 External Audit Plan and the supporting document, Informing the Risk Assessment.

## 3. **Reasons for the Recommendation**

### 3.1 **Conclusion of 2013/14, 2014/15 and 2015/16 audits**

Members will be aware that the auditors have not been able to conclude audits of the accounts since 2013/14. The reason for this was that the auditors had been unable to complete their consideration of two objections to the 2013/14 accounts. The auditors have now been able to complete their investigations and have duly responded to the objectors. In both cases the auditors have concluded that it would not be in the public interest for them to make a public interest report under Section 8 of the Audit Commission Act 1998.

- 3.2 The auditors have responded separately to the two objectors. Due to the detailed content of these letters, with much information which is of a personal nature, the Council's lawyers have confirmed the auditors' letters may be shared with Finance and Audit Scrutiny Committee, but this needs to be on a totally confidential basis. The Council's auditors also agree with this. Copies of the two letters are included as confidential Appendices A and B to this report, as item 15 on this agenda. Any discussion over the content of these appendices must be held in confidential session.
- 3.3 Within Appendix A, the auditor did make the recommendation that the Council should review the basis of its costs in liability order cases. The breakdown of the costs is regularly reviewed to ensure it is reasonable. In terms of procedure at Court, a copy to the breakdown is issued to Magistrates both when a complaint is made and summonses issued. On that basis the Magistrates do have opportunity to question how the costs have been arrived at.
- 3.4 An objection is still outstanding in respect of the 2016/17 Accounts. Consequently the auditors cannot conclude the audit for that year. However, final Audit Opinions have now been issued in respect of 2013/14, 2014/15 and 2015/16. These are included as Appendix C. The detail and basis for these

opinions does not present any new information above what has been previously reported to members in respect of the years in question.

### **3.5 Benefits Subsidy Audit**

The auditors have completed the audit of the 2016/17 Housing Benefit Audit. Their letter in respect of this, Certification work for Warwick District Council for the year ended 31 March 2017, is included as Appendix D. Much testing is undertaken by officers and auditors as part of this audit, considering many samples. It will be noted from the letter:-

- The overall claim is over £29m, the amendments totalled £348.
- Some errors were identified that had no overall impact on the level of subsidy being claimed.

3.6 Due to the errors identified, the auditors were required to qualify the claim. As explained to members in previous years, nationally it is the exception for the Benefits Subsidy claim not to be qualified.

3.7 There were two outstanding issues in respect of the 2015/16 claim. The auditor had requested that testing of an additional 80 cases was undertaken. However the Council did not accept that the findings warranted additional testing and representation was made to the Department for Work and Pensions. On the 19<sup>th</sup> October 2017, formal notification was received, confirming no additional testing was necessary.

### **3.8 Pooling of Housing Capital Receipts**

The Council is required to have the Pooling of Housing Capital Receipts Return audited; this deals with the receipts from Right to Buys. This audit was carried out by Grant Thornton. Their letter is included as Appendix E. From the letter it will be noted that the receipts were correctly allocated with the correct sum paid to the Government for the year.

### **3.9 2017/18 Audit of Accounts**

The auditors have submitted the External Audit Plan for 2017/18. This is included as Appendix F. Members will note, in view of the requirement for the 2017/18 Audited Statement of Accounts to be signed off by 31 July 2018, that some audit work has already been undertaken, with more scheduled for March. Members are required to note the Plan and may wish to seek assurance from officers and auditors that all is being done to ensure the statutory requirement will be met.

3.10 Appendix G, Informing the Risk Assessment, has been produced by the external auditors, bringing together details of responses from officers. The document is to assist in the communication between members and the external auditors. Members should consider the document and make any observations to the auditors.

## **4. Policy Framework**

### **4.1 Fit for the Future (FFF)**

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council’s FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The Subsidy Benefits seeks to provide assurance that claimants are in receipt of the correct level of benefit.	No direct impact.	No direct impact.
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers’ needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
No direct impact.	No direct impact.	The work provided by the Council’s external auditors should provide members with assurance that the Council’s finances are being properly managed and reported upon in accordance with statutory requirements.

## 4.2 Supporting Strategies

This report indirectly impacts upon all of the Council's strategies on the basis that they all require funding and for that funding to be properly managed. It is part of the role of the external auditors to confirm that the Council's finances are being properly managed.

#### **4.3 Changes to Existing Policies**

No changes to existing policies are proposed.

#### **4.3 Impact Assessments**

Not applicable.

### **5. Budgetary Framework**

- 5.1 The additional work and costs incurred by the Council and auditors in respect of the Objections to the Accounts was substantial. The additional costs incurred by the Council, excluding officer time, were in the order of £25,000, most of which were legal costs. Additional fees charged by the external auditors amount to £13k to date, with a similar sum still expected to be paid. The Council will only be able to recover a small element of these costs.
- 5.2 The initial fee charged to the 2016/17 Benefits Subsidy was £6,400. However there is expected to be an additional sum due (c£2k) in respect of additional work undertaken. The fee for the Pooling Return was £3,000.
- 5.3 The fee charged for the 2017/18 Audit of the Accounts is £53,623, this being the same as for 2016/17. Members will note that if additional work is required by the auditors, this fee may increase.

### **6. Risks**

The requirement for external auditors is part of the assurance framework under which all local authorities operate. The audit of the accounts and associated grant claims seeks to provide assurance to all stakeholders that the Council's finances, as reported in the Accounts, are being properly managed.

### **7. Alternative Option(s) considered**

- 7.1 None.