

 Finance and Audit Scrutiny Committee 7 February 2017		Agenda Item No. <h1 style="text-align: center;">4</h1>
Title	2015/16 Annual Audit Letter and Grant Claims	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	20 September 2016	
Background Papers		

Contrary to the policy framework:	Yes/No
Contrary to the budgetary framework:	Yes/No
Key Decision?	Yes/No
Included within the Forward Plan? (If yes include reference number)	Yes/No
Equality Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive	19/1/2017	Andrew Jones
Head of Service	19/1/2017	Mike Snow
CMT		
Section 151 Officer	19/1/2017	Mike Snow
Monitoring Officer	19/1/2017	Andrew Jones
Finance	19/1/2017	Mike Snow/Andrea Wyatt
Portfolio Holder(s)	19/1/2017	Peter Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 This report comments on the Council's Annual Audit Letter that is attached as an Appendix to this report. The letter is the Council's External Auditor Assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by the Council's External Auditor, Grant Thornton. The External Auditors will attend the Finance and Audit Scrutiny Committee for this item.
- 1.2 The auditors have also completed the two Grants audits. The Benefits Claim has been signed off as qualified and the Pooling of Housing Capital Receipts audits as unqualified.

2. **Recommendation**

- 2.1 The Committee considers the Annual Audit Letter and Grants Audit, and, if necessary, agrees any further information required from either officers or the Council's auditors.

3. **Reasons for the Recommendation**

- 3.1 The Annual Audit Letter is a letter to all members of the Council which needs to be given due consideration by appropriate committees.
- 3.2 The report brings together details that were included within the Audit Findings report that was presented to members in September alongside the Statement of Accounts.
- 3.3 No objections to the 2015/16 Accounts were received. However, two objections still are outstanding relating to the 2013/14 accounts. The auditors have been unable to conclude these due to an on-going legal process. The auditors are now finalising their responses to these objections.
- 3.4 The Grants Claims letter is attached as an appendix. This letter deals only with the Housing Benefits Audit, which is now the only audit that is still part of the Auditor's formal appointment. This claim was qualified. This claim is extremely complex, and nationally, unqualified claims are the exception. The Council's Housing Benefits Audit for 2014/15 was unqualified.
- 3.5 The assessment of Housing Benefit is extremely complex; more often than not when new legislation is introduced existing claimants are protected whilst new claims are dealt with according to the new legislation. This means that assessors have to remember different rules for different claims. In addition the procedure requires manual input of information to the system. Whilst accuracy checking of assessments is routinely carried out, there will invariably be some element of unavoidable human error.
- 3.6 The assessment team have access to the Department for Work and Pensions (DWP) national database which provides information in relation to tax credits, this information being used in the calculation of benefits. When the audit was undertaken, and the DWP database was re-checked, some of the tax credits had changed to what had been used in the original benefit calculation and therefore the original evidence was no longer available. This is an area for which the external auditors had initially sought further testing. Discussions with the DWP confirmed that this was a known issue for authorities and their advice was to make representation (letter from Benefits and Fraud Manager attached)

in respect of this issue for which we are awaiting a response. Should further testing be required, it is not anticipated that there will be a significant impact on subsidy. No response has been received from DWP to date.

- 3.6 The Council was also required to have the Pooling of Housing Capital Receipts Return audited. This audit was agreed to be carried out by Grant Thornton. No issues were found with this return.

4. **Policy Framework**

- 4.1 **Policy Framework** – By considering and scrutinising the report members are acting in accordance with the priority of managing services openly, effectively and efficiently.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a review of the past year's performance.

5. **Budgetary Framework**

- 5.1 As detailed in Appendix A of the Annual Audit Letter, the cost of the main audit was in line with the plan.
- 5.2 Whilst more work was undertaken by the external auditors on the Housing Benefits Audit, it is not expected that the cost will be above the planned charge of £9,540.
- 5.3 The charge for the Pooling of Housing Capital Receipts return is still awaited. This should not be significant.
- 5.3 Overall, it is anticipated that within the external audit budget, there is sufficient to meet any further costs in respect of the 2015/16 audit and relating to the prior year objections.

6. **Risks**

- 6.1 That objections to the accounts are upheld by the external auditor.

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

- 7.1 No alternatives have been considered.

8. **Background**

- 8.1 The auditor's report looks at a number of key areas based on their audit work in relation to 2015/16. This report brings together the main findings from two main areas.
- 8.2 Audit opinion and financial statements. The auditors prepared their Audit Findings Report based on the Council's 2015/16 financial statements. This report was presented to the Finance and Audit Scrutiny Committee on 20 September 2016.
- 8.3 No significant weaknesses in the Council's internal control arrangements have been identified. Actions are being taken by officers to address the key issues and recommendations.

- 8.4 The Annual Audit Letter also includes details of the 2015/16 Value For Money conclusion. This was included within the Audit Findings Report in September. It was concluded that the Council have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.