

 <b>Finance and Audit Scrutiny Committee</b> <b>5 March 2019</b>		<b>Agenda Item No. 6</b>
<b>Title</b>	Finalisation of 2017/18 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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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.	
<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	21/2/2019	Andrew Jones
Head of Service	21/2/2019	Mike Snow
CMT	21/2/2019	
Section 151 Officer	21/2/2019	Mike Snow
Monitoring Officer	21/2/2019	Andrew Jones
Finance	21/2/2019	Andrew Rollins, Dave Leech, Andrea Wyatt
Portfolio Holder(s)	21/2/2019	Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
<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 three items of correspondence from Grant Thornton, the Council's external auditors in respect of the 2017/18 Audit. These are:-

- 2017/18 Annual Audit Letter
- Certification work for Warwick District Council for the year ended 31 March 2018
- Pooling of Housing Capital Receipts 2017-2018 return

1.2 In bringing these items to Finance and Audit Scrutiny, the Council is in the position of being able to conclude the 2017/18 Audit.

## 2. **Recommendations**

It is recommended that Finance and Audit Scrutiny Committee:-

2.1 Note the conclusion of the 2017/18 Audit.

2.3 Note the conclusion of the audit of the 2017/18 Benefits Subsidy.

2.4 Note the conclusion of the audit of the 2017/18 Pooling of Housing Capital Receipts return.

## 3. **Reasons for the Recommendations**

### 3.1 **Annual Audit Letter 2017/18**

The Annual Audit Letter summarises the key findings arising from the work that the external auditors have carried out on the 2017/18 Statement of Accounts and Value For Money Conclusion.

3.2 The Annual Audit Letter brings together information that has previously been reported to the Committee. This is notably in respect of the late closedown and the subsequent ramifications on the audit. As previously reported in November, the Accounts received an unqualified audit opinion. However, the Value For Money was qualified as a consequence of the delays to the accounts.

3.3 Members will be aware of the subsequent work on-going as a consequence of the problems with the 2017/18 Accounts. This work continues to be subject to regular reports to Executive and Finance and Audit Scrutiny Committee.

### 3.4 **Benefits Subsidy Audit**

The auditors have completed the audit of the 2017/18 Housing Benefit Audit. Their letter in respect of this, Certification work for Warwick District Council for the year ended 31 March 2018, is included as Appendix B. 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 £28m, the amendments totalled £14.

- Some errors were identified that had no overall impact on the level of subsidy being claimed.

3.5 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.

### 3.6 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 C. From the letter it will be noted that the receipts were correctly allocated with the correct sum paid to the Government for the year.

3.7 The total receipt, and how they have been allocated is shown below:-

	<b>£000</b>
WDC HRA Transaction Cost	45.5
WDC HRA Debt Contribution	834.2
WDC share (any purpose)	393.6
WDC 1-4-1 Allowance	1,446.7
Treasury Share	961.0
<b>Gross Receipt</b>	<b>3,680.9</b>

3.8 The notable finding (7) is with regard to the capital expenditure relating to dwellings sold. This figure does not impact on the allocation of the receipts (shown above). In previous years, and throughout the quarterly returns submitted during the year, an estimate of this has been acceptable, but the final return now requires an actual figure.

## 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	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy

communities	Low levels of crime and ASB	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 planned cost of the audit of the 2017/18 Accounts was £53,623. The final figure is £103,111, an increase of £49,388. The reasons for this increase are discussed within the Annual Audit Letter (page 12). Grant Thornton are producing further detail to demonstrate how the increased costs have been arrived at.
- 5.2 Additional costs have been incurred in respect of the prior year objections to the accounts of approaching £5k. This in addition to costs for previous years of circa £13k which have been paid this year.
- 5.3 Within the General Ledger for 2018/19 the main audit budget is £74,500. This is to accommodate the cost of the 2018/19 audit of £41,300 (based on agreed fees). The balance of £33,200 is in respect of the anticipated additional costs of prior years' audits. The additional costs above of £49k and £18k total £67,000. This is well in excess of the £33k anticipated, giving a £34k variance. Given the lateness in the financial year, this will be reported as an overspend at year end, as part of the overall net General Fund surplus/deficit.
- 5.4 The initial fee charged to the 2017/18 Benefits Subsidy was £9,040. An additional fee for further work is £2,257, bringing the total cost of the audit to £11,297.
- 5.5 The fee for the Pooling Return was £3,000, in line with the budget.

## **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.