

AUDIT COMMITTEE	AGENDA ITEM No. 4
13 FEBRUARY 2017	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director Financial Services	☎ 452520 ☎ 384564

EXTERNAL AUDIT REPORTS

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director Resources	Deadline date : NA
The Audit Committee is asked to:-	
1. Consider and endorse the 2015/16 Annual Audit Letter; and	
2. Consider and endorse the 2015/16 Grant Claims: Annual Certification Report.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee in line with its Work Programme for 2016/17.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to introduce various reports from Ernst & Young (EY), the Council's external auditors, in accordance with the Committees' Terms of Reference – 2.2.1.5 *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. EXTERNAL AUDIT REPORTS

- 4.1 During the year, EY have undertaken various reviews on behalf of the authority, the Annual Audit Letter collates and summarises those reports, the bulk of which was reported to Audit Committee in the ISA 260 on the 22nd September 2016. The following reports have been received and agreed with senior management.

Appendix	Report	Issue Date
A	2015/16 Annual Audit Letter	26 th October 2016
B	2015/16 Certification of Claims and Returns Annual Report	16 th January 2017

2015/16 Annual Audit Letter

- 4.2 The External Auditor produces an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. The report notes that EY issued an unqualified audit opinion on the 2015/16 Statement of Accounts and that they concluded that the Council has put in place proper arrangements to secure value for money in its use of resources. Cabinet will also consider this report in February 2017. The letter is attached at Appendix A for review by Audit Committee.

- 4.3 As the letter is issued in October summarising reports from earlier in the year and is reported to members in the February meeting cycle some of the information has now changed and we continue to update EY. For example the Value for Money section mentions a budget gap for 2017/18 of £4m. This was the position in September when the Report to Those Charged with Governance (ISA 260) was produced. Since then, significant work has been undertaken on the budget, and Cabinet will have considered proposals for a balanced budget for 2017/18 on the 6th February 2017.
- 4.4 The Focused on Your Future section mentions changes are around the accounting for Highways Networks Assets (HNA) which were due to take effect from 1st April 2016. The CIPFA/LASAAC Local Authority Accounting Code Board decided at its 9th November 2016 meeting to delay the implementation of these changes due to the need to revise some nationally set rates which form part of the required valuation calculations. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18.

2015/16 Certification of Claims and Returns Annual Report

- 4.5 This is an annual report into the review and verification of grant claims across PCC. For 2015/16 this covers Housing Benefit certification work. It is attached at Appendix B.
- 4.6 The report notes that the due EYs own staff resourcing issues they were unable to meet the DWP's certification deadline of 30 November. They applied to the DWP for an extension to 31 December which was granted and they issued their certificate on 14 December 2016. Council officers did all that they could to support EY to meet the deadline.
- 4.7 Although the work resulted in a £3,768 increase in the claim to £73,534,614 and a qualification letter to the DWP, this is because EY follow a methodology determined by DWP. This requires no materiality threshold to be applied to the audit work and a qualification letter must be issued for any amendment to the claim, no matter how small. The issues identified were relatively minor and no audit recommendations were made on the basis of these findings.

5. CONSULTATION

- 5.1 The various appendices have been discussed, and actions agreed by senior management at various times before being finalised. In addition, will Cabinet discuss and approve their content.

6. ANTICIPATED OUTCOMES

- 6.1 Acknowledgement and approval of the works undertaken by External Audit.

7. REASONS FOR RECOMMENDATIONS

- 7.1 Audit Committee to note the contents of the report and to comment on issues identified within the various commissioned works.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None

9. IMPLICATIONS

- 9.1 Implications have been identified separately in each agreed Action Plan

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- 10.1 Council Constitution

11. APPENDICES

- Appendix A – 2015/16 Annual Audit Letter
- Appendix B – 2015/16 Certification of Claims and Returns Annual Report

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