

AUDIT COMMITTEE
2 March 2016

Subject Heading:	Grants report to Audit Committee
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Policy context:	The Audit Committee are required to review the outcomes of the Authority's grant claims process for audited grant claims relating to the financial year 2015/16
Financial summary:	Total Audit Fees 2015/16 £46,006 are split between Core audit fees: £21,570 and Additional Audit fees: £24,436

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

The 2014/2015 audit process was completed by the Audit Commission's representative, PricewaterhouseCoopers. (see appendix 1 for the PwC audit report)

RECOMMENDATIONS

The Committee is recommended to:

1. note the report
2. consider the outcomes of the 2014/2015 grant claims process
3. raise any issues of concern with officers on specific grant claims
4. note the year-on-year grant claims performance (see paragraph.1)

REPORT DETAIL

Overall summary of the 2014/2015 audited grant claims compared to 2013/2014.

Background

The way that grant claims are audited has changed in recent years. Grant funding bodies are moving away from certified audits to audit assurance. This report outlines the outcomes of these processes.

Performance - Certified Grants Process

1. In 2014 the Secretary of State for Communities and Local Government delegated statutory functions from the Audit Commission to Public Sector Audit Appointments Ltd (LPAA), who is an independent company limited by guarantee incorporated by the Local Government Association. The company is responsible for appointing auditors to local government, police and local NHS bodies for setting audit fees and for making arrangements for the certification of the housing benefit subsidy claims.
 - 1.1. There was 1 grant noted on the LPAA Index that required audit certification, in 2014/2015, compared to 2 certified by the Audit Commission in 2013/2014.
 - 1.2 The 1 grant audited for 2014/2015, Housing and Council Tax Benefits has now been certified by PricewaterhouseCoopers (PwC).
 - 1.3 There are no amendments to the claim for 2014/2015, and there were none in 2013/2014.

1.4. The Housing and Council Tax Benefits claim was qualified for 2014/2015, (see appendix 1 for PwC audit report) as was it qualified in 2013/2014. (see appendix 2 for 2013/14 PwC recommendation)

1.5. Of the 1 claim audited for 2014/2015 it achieved its Audit Commission/Grant Funding Body certification deadlines as did both claims for 2013/14.

	2013/2014		2014/2015	
	No.	%	No.	%
Total Claims	2	100	1	100
Submitted by due date	2	100	1	100
Amended claims	0	0	0	0
Qualified claims	1	50	1	100
Certified by deadline	2	100	1	100

1.6. Audit Recommendations

PricewaterhouseCoopers identified 1 recommendation to address in the 2013/2014 Action Plan. The recommendation was implemented during 2014/2015 and is on-going. (see Appendix 2)

There are no 2014/2015 recommendations or reported control issues.

1.7. Audit Fees

The following table records audit fees paid each year:

Paid in 2012/2013 re 2011/2012 audits	Paid in 2013/14 re 2012/13 audits	Paid in 2014/15 re 2013/14 audits	Paid in 2015/16 re 2014/15 audits
£67,105	£43,025	£22,565	£21,570
No of Claims Audited 6	No of Claims Audited 4	No of Claims Audited 2	No of Claims Audited 1

The audit fee for the 1 grant subject to audit for 2014/15 is £21,570. The audit fee for 2 grants audited for 2013/14 was £22,565. This shows a decrease of 4.4% in costs.

- 1.8. PricewaterhouseCoopers have been the Council's appointed auditor for grant claims since 2008/2009. Ernst and Young take over as the Council's external auditor from 2016 and will carry out the audit to provide certification for the Housing and Council Tax Benefit Grant 2015/16.

2. External Compliance/Assurance Audit requirements for 2014/15

- 2.1. 5 Grant Funding Bodies published a requirement for grantees to engage an external auditor to report audit compliance or assurance for their 2014/15 funding.
- 2.2. The audit fees for these 5 grants were negotiated over and above the audit commission agreed audit fee. An additional £24,873 is to be funded from the appropriate service.
- 2.3. Of the 5 grants audited for 2014/2015 all 5 achieved their Grant funding body reporting deadlines as did 2 grants for 2013/14.

	2013/2014		2014/2015	
	No.	%	No.	%
Total Claims	2	100	5	100
Submitted by due date	2	100	5	100
Amended claims	0	0	0	0
Qualified claims	1	50	1	20
Certified by deadline	2	100	5	100

The five grants that required audit compliance or assurance are:

- Teachers Pensions 2014/15 - Teachers Pensions have required end of year certification assurance instead of a full audit and thus local authorities are required to engage an external auditor to provide that assurance. PwC were engaged to perform this service for 2014/15 at a cost to the Council of £9,750 plus vat.

Outcome

PwC concluded that the End of Year Certificate (a) has been prepared in accordance with the regulations underpinning the Teachers' Pension Scheme.

- GLA Decent Homes Grant 2014/15 – The GLA conditions and guidelines stated that certification relating to the Schedule 8 Statement of Grant Usage required external audit scrutiny by way of sampling. 2014/15 is the final year for this 3 year allocation. We engaged PwC to perform this service at a cost to the Council of £8,000 plus vat.

Outcome

PwC provided the GLA with a report which they reviewed. There were no issues raised by the Grant Funding Body.

- DCLG Pooling of Housing Capital Receipts 14/15 - For the 2014/15 return the DCLG required an external audit to be carried out so we engaged PwC to perform this service at a cost to the Council of £2,500 plus vat.

Outcome

The Pooling of Housing Capital Receipts 2014/15 was subject to qualification following discrepancies being found between data on the return and data held by the authority's housing management system, however the return was not required to be amended.

- GLA Housing Compliance Audit 2014/15. Beever and Struthers was engaged to perform the compliance audit at a cost to the HRA of £2,185.71 plus vat.

Outcome

At the date of writing this report the GLA have yet to report on the outcome of the compliance audit.

- Skills Funding Agency (SFA) 2015/16 - Subcontractors Assurance Audit to be completed by the end of January 2016. Mazars was engaged to perform this assurance service. The cost to the service was £2,000 plus vat.

Outcome

Mazars reported satisfactory assurance on the systems and no recommendations were identified.

2.4. Additional Audit Fees over and above the LPAA remit.

Paid in 2014/15 re 2013/14 audits	Paid in 2015/16 re 2014/15 audits	Total Additional Audit Fees to date
£18,500	£24,436	£42,936
No of Claims Audited 2	No of Claims Audited 5	

The audit fee for the additional 5 grants outside the LPAA remit for 2014/15 is £24,436. The audit fee for the 2 grants audited for 2013/14 was £18,500. This shows an increase of 32%. Total additional audit fees for years 2014/2016 are £42,936.

When engaging an auditor for the additional requirements in 2014/15 we looked to achieve value for money and procured services at competitive costs whilst aiming to retain auditor expertise.

3. In Year Achievements

- Service and Finance staff who work with grants were invited to attend grants workshops which took place in June 2015 and also in October 2015. These workshops were well attended and feedback was very positive.
- Both service and finance staff are being supported by one to one grants training upon request.

4. Future Planned Developments

- A grants workshop is due to take place in February 2016 to assist with closedown processes and also in June 2016 which will be delivered prior to the start of the 2015/2016 grants and audit process.

IMPLICATIONS AND RISKS

Financial Implications and risks:

For 2014/2015 specific grant claims that require external audit provided £91m and those that require compliance/assurance audit provided £41m in funding for the Council. Poor performance in submitting claims puts income at risk and can affect the Council's reputation with funding bodies. Additional audit fees may also be incurred where working papers or procedures fail to meet the required standards.

Qualified claims may lead to the Council having to repay grant income and delays leading to late certification of claims can result in the suspension of grant income.

These outcomes are mitigated by having in place, a robust system of training, support and review. This ensures that all grant claims are robustly examined before submission and that any queries are taken back through a consistent route. The good standard of working papers provided continues to contribute to the grants audit process.

For 2013/14 the cost of additional audit fees, outside the audit commission remit was £18,500 and for 2014/15 is £24,436 totalling £42,936. It is not currently possible to estimate how many grant funding bodies will require external audit certification from 2015/16 onwards and as such the Council may be exposed to the risk of increased audit fees.

Legal implications and risks

There are no Legal implications or risks arising directly from this report.

Human Resources implications and risks

There are no HR implications or risks arising directly from this report.

Equalities and Social Inclusion implications

There are no Equalities and Social Inclusion implications arising directly from this report.

BACKGROUND PAPERS