



## AUDIT COMMITTEE

### 29 November 2016

<b>Subject Heading:</b>	Annual Audit Letter
<b>CMT Lead:</b>	Andrew Blake-Herbert
<b>Report Author and contact details:</b>	Contact: Mike Board Designation: Corporate Finance & Strategy Manager Telephone: (01708) 432217 E-mail address: <a href="mailto:mike.board@oneSource.co.uk">mike.board@oneSource.co.uk</a>
<b>Policy context:</b>	Audit Committee responsible for approving accounts.
<b>Financial summary:</b>	There are no direct financial implications from the report.

### 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

Our external auditors, Ernst & Young, have issued their annual audit letter to the Committee summarising the results of their 2015/16 audit.

## RECOMMENDATIONS

The Committee is asked to note the contents of the letter and consider any issues raised by the external auditor.

## REPORT DETAIL

1. The purpose of the letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from the auditors' work which they consider needing to be brought to the attention of the Council. The letter is included at appendix A.
2. The letter includes the following issues:
  - 2.1 Ernst & Young issued unqualified opinions on the Council's and the Pension Fund's financial statements. The Audit Results report was issued on 26 September 2016 and their certificate was issued on 28 October 2016 on completion of their Whole of Government Accounts and Pension Fund work.
  - 2.2 The auditors are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. Page 14 of their letter identified one significant risk in relation to sustainable resource deployment, and the need to achieve the savings over the medium term to balance the general fund budget.
  - 2.3 Control themes and observations from the auditors are identified from page 17 of their letter:
    - Their testing found that the auditors were able to place reliance on the work undertaken by management's valuation experts, but the Council had not assessed whether there had been any significant movement in the valuation of council dwellings between the valuation date of 1 April 2015 and the balance sheet date of 31 March 2016. The valuers assessed that there had been an upward movement in values of around 10%. As a result it was estimated that the value for council dwellings in the accounts was understated by £44 million.

This issue was not made clear in the valuers original communication and the accounts were amended to reflect this updated valuation. The change has no impact on the Revenue Out-turn or Useable Reserves as this is essentially a Balance Sheet valuation issue. Future written

instructions will be communicated with the valuers with regard to requirements for year end revaluation and impairment review and the related timescales for the receipt of valuation information.

- When testing expenditure, the auditors noted that the transactions recorded in adult social care system were not reconciled to the general ledger. They acknowledged that this issue has now been addressed for 2016/17.

## IMPLICATIONS AND RISKS

### **Financial Implications and Risks:**

There are no financial implications or risks arising directly from this report. There are no financial consequences arising from the outcome of the audit of accounts. The issues raised in the letter are consistent with the matters raised in their earlier "Report to those charged with Governance" (ISA260) and have been addressed as part of 2015/16 closure planning.

### **Legal Implications and risks:**

There are no apparent legal implications in noting the content of the audit letter. The matters highlighted by the letter clearly identify areas of legal and financial risk but the management responses set out how these can be managed.

### **Human Resources Implications and risks:**

None arising directly

### **Equalities and Social Inclusion Implications and risks:**

None arising directly

## BACKGROUND PAPERS

Working papers for the statement of accounts.

# **Appendix A**

**London Borough of Havering**

**Annual Audit Letter 2015/16**