



## AUDIT COMMITTEE

### 1 March 2017

**Subject Heading:**

**Grants report to Audit Committee**

**CMT Lead:**

**Debbie Middleton**

**Report Author and contact details:**

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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:**

**Core audit fees: £15,080**  
**Additional Audit fees: £6,490**

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

Havering will be clean and its environment will be cared for  
People will be safe, in their homes and in the community  
Residents will be proud to live in Havering

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□  
□

## SUMMARY

The 2015/2016 audit process was completed by the LPAA's representative, Ernst and Young. (see appendix 1 for the Ernst and Young audit report)

## RECOMMENDATIONS

The Committee is recommended to:

1. note the report
2. consider the outcomes of the 2015/2016 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 2015/2016 audited grant claims compared to 2014/2015.**

#### **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.

#### **1. Performance - Certified Grants Process**

In 2014 the Secretary of State for Communities and Local Government delegated statutory functions from the Audit Commission to Public Sector Audit Appointments Ltd (PSAA), 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 2015/2016, as was certified by the appointed auditor in 2014/2015.
- 1.2. The 1 grant audited for 2015/2016, Housing and Council Tax Benefits has now been certified by Ernst and Young.
- 1.3. There are no amendments to the claim for 2015/2016, and there were none in 2014/2015.

- 1.4. The Housing and Council Tax Benefits claim for 2015/2016 was unqualified, (see appendix 1 for Ernst and Young audit report) however the return was qualified in 2014/2015. (see appendix 2 for 2014/15 PwC recommendation)
- 1.5. Of the 1 claim audited for 2015/2016 it achieved its Audit Commission/Grant Funding Body certification deadlines as did the claim for 2014/15, see table below.

	2015/2016		2014/2015	
	No.	%	No.	%
<b>Total Claims</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>
Submitted by due date	1	100	1	100
Amended claims	0	0	0	0
Qualified claims	0	0	0	0
Certified by deadline	1	100	1	100

1.6. Audit Recommendations

There are no audit recommendations reported by Ernst and Young as a result of the 2015/16 BEN01 – Housing and Council Tax Benefit audit process.

1.7. Audit Fees

The following table records audit fees paid each year:

Paid in 2013/14 re 2012/13 audits	Paid in 2014/15 re 2013/14 audits	Paid in 2015/16 re 2014/15 audits	Paid in 2016/17 re 2015/16 audit
£43,025	£22,565	£21,570	£15,080
No of Claims Audited 4	No of Claims Audited 2	No of Claims Audited 1	No of Claims Audited 1

The value of the Housing and Council Tax Benefit grant for 2015/16 is £96m. The audit fee is set by PSAA Ltd (see section 1) and the complexity

of the audit work is reflected in the fee which for 2015/16 is £15,080. The audit fee for the Housing Benefit grant for 2014/15, value £91m, was £21,570. This shows a decrease of 30% in costs.

- 1.8. Ernst and Young took over from PWC as the Council's appointed auditor for grant claims from April 2016, and carried out the audit to provide certification for the Housing and Council Tax Benefit Grant 2015/16.

## 2. External Compliance/Assurance Audit requirements for 2015/16

- 2.1. 3 Grant Funding Bodies published a requirement for grantees to engage an external auditor to report audit compliance or assurance for their 2015/16 funding.
- 2.2. The audit fees for these 3 grants were negotiated over and above the audit commission agreed audit fee.
- 2.3. Of the 3 grants audited for 2015/2016 all 3 achieved their Grant funding body reporting deadlines as did 5 grants for 2014/15, see table below.

	2015/2016		2014/2015	
	No.	%	No.	%
<b>Total Claims</b>	<b>3</b>	<b>100</b>	<b>5</b>	<b>100</b>
Submitted by due date	3	100	5	100
Amended claims	0	0	0	0
Qualified claims	0	0	1	20
Certified by deadline	3	100	5	100

The 3 grants that required audit compliance or assurance are:

- Teachers Pensions - Assurance required against £43m total contributory salary which includes £10.6m of teachers pensions contributions
- DCLG Pooling of Housing Capital Receipts – Certification of £8.5m Housing Capital receipts
- GLA Housing Compliance audit – Compliance re £0.5 mil spend re GLA grant funding

Audit requirements and outcome shown below:

- 2.3.1 Teachers Pensions 2015/16 - 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. Grant Thornton were engaged to perform this service for 2015/16 at a cost to the Council of £3,350 plus vat.

Outcome

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

- 2.3.2. DCLG Pooling of Housing Capital Receipts 15/16 - For the 2015/16 return the DCLG required an external audit to be carried out so we engaged Grant Thornton to perform this service at a cost to the Council of £1,340 plus vat.

Outcome

The Pooling of Housing Capital Receipts 2015/16 was unqualified. There was one amendment but there was no monetary effect to the return.

- 2.3.3. GLA Housing Compliance Audit 2015/16 - Mazars were engaged to perform the compliance audit at an estimated cost to the HRA of £1,800 plus vat.

Outcome

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

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	Paid in 2016/17 re 2015/16 audits	Total Additional Audit Fees to date
£18,500	£24,436	£6,490	£49,246
No of Claims Audited 2	No of Claims Audited 5	No of Claims Audited 3	

The audit fee for the additional 3 grants outside the LPAA remit for 2015/16 is £6,490. The additional cost of £6,490 is to be funded from the appropriate service. The audit fee for the 5 grants audited for 2014/15 was £24,436. This shows a decrease of 73%. Total additional audit fees for years 2014/2016 are £49,246.

When engaging an auditor for the additional requirements in 2015/16 we looked to achieve value for money. We liaised with partner boroughs and bearing the complexity and value of the grant in mind, together procured audit 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 March 2016 and also in September 2016. 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**

- The grants role will be changing to fit with to the oneSource restructure so no further grants training has been arranged at present.

## **IMPLICATIONS AND RISKS**

### **Financial Implications and risks:**

The number of grants which require external audit has been steadily reducing in recent years. In 2015/2016 specific grant claims requiring external audit totalled £96m and those that required compliance/assurance audit totalled £51m. 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 2016/17 the PSAA has set the cost of the statutory audit which is £16,178 being an increase of 7% on the 2015/16 fee. Using the same percentage increase the estimated cost of additional audit fees, not covered as part of the statutory audit totalled £6,950. The number of grant funding bodies requiring external audit certification is more difficult to predict under the current arrangements and the Council may therefore be exposed to the risk of incurring additional audit fees.

The statutory audit fee is met by a corporate budget and for 2015/16 is reported as part of the revenue monitor process. Any surplus is transferred into the strategic reserve. Audit costs incurred from additional assurance/compliance requirements are met by the individual service budgets.

### **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**