

## AUDIT COMMITTEE

Subject Heading:	16/17 Grants Certification Report
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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 2016/17
Financial summary:	Core audit fees: £16,178 The complexity of the work is reflected in the fee. It should be noted that this is the second year of the Housing & Council Tax Benefits claim being audited with no amendment or qualification which is an excellent achievement.

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

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

### SUMMARY

The 2016/17 audit process was completed by the Public Sector Audit Appointments (PSAA) 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 2016/17 grant claims process
3. raise any issues of concern with officers on specific grant claims
4. note the year-on-year grant claims performance

## **REPORT DETAIL**

**Overall summary of the 2016/17 audited grant claims compared to 2015/16.**

### **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**

The duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work is delegated to the Public Sector Audit Appointments Ltd. (PSAA) by the Secretary of State for Communities and Local Government.

- 1.1. For 2016/17, the PSAA arrangements required only the certification of the Council's housing benefit subsidy claim.
- 1.2. The Housing and Council Tax Benefits Subsidy for 2016/17 has now been certified by Ernst and Young.
- 1.3. There are no amendments to the claim for 2016/17, and there were none in 2015/16.
- 1.4. The Housing and Council Tax Benefits claim for 2016/17 was unqualified, (see Appendix 1 for Ernst and Young audit report) as was in 2015/16.
- 1.5. It should be noted that the audit fee and complexity of the audit work is reflected in the fee which for 2016/17 is £16,178 and the fact that this is the second year of this audit with no amendment or qualification which is an excellent achievement.

- 1.6. Of the one claim audited for 2016/17 it met its Audit Commission/Grant Funding Body certification deadlines as did the claim for 2015/16, see Table 1 below.

Table 1

	2016/2017		2015/2016	
	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

1.7. Audit Recommendations

There are no audit recommendations reported by Ernst and Young as a result of the 2016/17 BEN01 – Housing and Council Tax Benefit audit process.

1.8. Audit Fees

The following table records audit fees paid each year:

Table 2

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	Paid in 2017/18 re 2016/17 audit
£43,025	£22,565	£21,570	£15,080	£16,178
No of Claims Audited 4	No of Claims Audited 2	No of Claims Audited 1	No of Claims Audited 1	No of Claims Audited 1

The value of the Housing and Council Tax Benefit grant claim for 2016/17 is £95.8m. 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 2016/17 is £16,178. The audit fee for the Housing Benefit Grant for 2015/16 with a value £96.4m, was £15,080.

- 1.8. Ernst and Young has been the Council's appointed auditor for grant claims since April 2016, and they carried out the audit to provide certification for the Housing and Council Tax Benefit Grant 2016/17.

## **2. External Compliance/Assurance Audit requirements for 2016/17**

- 2.1. The Teachers Pensions Authority and the Department of Communities and Local Government require external and independent certification of the Council's final statutory returns for 2016/17. These are the End of Year Certificate (Teacher's Pensions), and the Final Pooling Return.
- 2.2. As these items are no longer covered by the scope of the PSAA appointment of statutory auditors, the audit fees for these grants were negotiated separately, with Grant Thornton LLP appointed to complete the work. This is summarised as follows.

	<b>2016/2017</b>		<b>2015/2016</b>	
	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>
<b>Total Claims</b>	<b>2</b>	<b>100</b>	<b>3</b>	<b>100</b>
Submitted by due date	2	100	3	100
Amended claims	0	0	0	0
Qualified claims	0	0	0	0
Certified by deadline	2	2	3	100

- 2.3 The grants that required audit compliance or assurance in 2016/17 are:

- Teachers Pensions - Assurance required against £40.3m total contributory salary which includes £10.6m of teachers pensions contributions
- DCLG Pooling of Housing Capital Receipts – Certification of £14m Housing Capital receipts

Audit requirements and outcome are shown below:

- 2.3.1 Teachers Pensions 2016/17 - 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 was engaged to perform this service for 2016/17 at a cost to the Council of £3000 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 2016/17 - For the 2016/17 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 £1000 plus vat.

Outcome

Grant Thornton concluded that the Final Pooling Claim for 2016/17 was accurate.

- 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	Paid in 2017/18 re 2016/17 audits
£18,500	£24,436	£6,490	£4,000
No of Claims Audited 2	No of Claims Audited 5	No of Claims Audited 3	No of Claims Audited 2

The audit fee for the additional grants outside the PSAA remit for 2016/17 is £4,000. The audit fee for the three grants audited for 2015/16 was £6,490.

When engaging an auditor for the additional requirements in 2016/17 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**

- Both service and finance staff are being supported by one to one grants training upon request.

<b>IMPLICATIONS AND RISKS</b>
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**Financial implications and risks:**

The number of grants which require external audit has been steadily reducing in recent years. 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 2017/18 the PSAA has set the cost of the statutory audit at £15,080 based on final 2016/17 certification fees.

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 2016/17 is reported as part of the revenue monitor process. Any surplus is transferred into the Business Risk Reserve. Audit costs incurred from additional assurance/compliance requirements are met by the individual service budgets.

**Legal implications and risks:**

There are no apparent 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 implications and risks:**

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