

## **AUDIT COMMITTEE**

**24 APRIL 2019**

**Subject Heading:**

**Grants report to Audit Committee**

**SLT Lead:**

**Jane West**

**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 2017/18**

**Financial summary:**

There are no financial implications arising from this report which is for information only.

### **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 2017/18 audit process was completed by the Public Sector Audit Appointments (PSAA) representative, Ernst and Young. No issues have been highlighted

## **RECOMMENDATIONS**

The Committee is recommended to:

1. note the report
2. note the year-on-year grant claims performance (see paragraph.1)

## **REPORT DETAIL**

**Overall summary of the 2017/18 audited grant claims compared to 2016/17.**

### **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 2017/18, the PSAA arrangements required only the certification of the Council's Housing and Council Tax Benefits Subsidy (BEN01).
- 1.2. The Housing and Council Tax Benefits Subsidy for 2017/18 has now been certified by Ernst and Young.
- 1.3. There are no amendments to the claim for 2017/18, and there were none in 2016/17.
- 1.4. The Housing and Council Tax Benefits claim for 2017/18 was unqualified, (see appendix 1 for Ernst and Young audit report) as was in 2016/17.

- 1.5. Of the one claim audited for 2017/18 it met its Audit Commission/Grant Funding Body certification deadlines as did the claim for 2016/17, see Table 1 below.

Table 1

	2017/2018		2016/2017	
	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 2017/18 BEN01 – Housing and Council Tax Benefit audit process.

1.7. Audit Fees

The following table records audit fees paid each year:

Table 2

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	Paid in 2018/19 re 2017/18 audit
£22,565	£21,570	£15,080	£16,178	£15,080
No of Claims Audited 2	No of Claims Audited 1	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 2017/18 is £90.9m. 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 2017/18 is £15,080. The audit fee for the Housing Benefit Grant for 2016/17 with a value £95.8m, was £16,178.

- 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 2017/18.

## **2. External Compliance/Assurance Audit requirements for 2017/18**

- 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 2017/18. 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>2017/2018</b>		<b>2016/2017</b>	
	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>
<b>Total Claims</b>	<b>2</b>	<b>100</b>	<b>2</b>	<b>100</b>
Submitted by due date	2	100	2	100
Amended claims	0	0	0	0
Qualified claims	0	0	0	0
Certified by deadline	2	0	2	0

The grants that required audit compliance or assurance in 2017/18 are:

- Teachers Pensions - Assurance required against £36.2m total contributory salary which includes £9.4m of teachers pensions contributions
- DCLG Pooling of Housing Capital Receipts – Certification of £13.9m Housing Capital receipts (indicative figure subject to final audit).

Audit requirements and outcome are shown below:

- 2.3.1 Teachers Pensions 2017/18 - 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 2017/18 at a cost to the Council of £3,500 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 2017/18 - For the 2017/18 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 £3,500 plus vat.

Outcome

At the date of writing this report, Grant Thornton have yet to provide the final assurance of the audit. It is not expected that any issues will be raised however a verbal update will be given

2.4. Additional Audit Fees outside of the core audit

Paid in 2015/16 re 2014/15 audits	Paid in 2016/17 re 2015/16 audits	Paid in 2017/18 re 2016/17 audits	Paid in 2018/19 re 2017/18 audit
£24,436	£6,490	£7,500	£7,000
No of Claims Audited 5	No of Claims Audited 3	No of Claims Audited 2	No of Claims Audited 2

For 2018/19, the Council has appointed Ernst and Young to carry out the Teacher's Pension and Housing Capital receipts audit.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

There are no financial implications arising from this report which is for information only.

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.

The statutory audit fee is met by a corporate budget and for 2018/19 is reported as part of the revenue monitor process. 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 arising out of the Report

### **Human Resources implications and risks:**

There appear to be no HR implications arising directly.

### **Equalities implications and risks:**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;

(iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.