



AUDIT COMMITTEE

Subject Heading:

Havering Council and Pension Fund
Annual Audit Letter 2018/19

SLT Lead:

Jane West

Report Author and contact details:

Contact: Kevin Miles
Designation: Financial Reporting
Accountant
Telephone: 01708 434 551
Email address:
kevin.miles@havering.gov.uk

Policy context:

Audit Committee responsible for
approving accounts.

Financial summary:

The audit letter highlights the area of
review covered within the audit and the
auditor's findings.

**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

Havering Council's external auditors, Ernst & Young, have issued their annual audit letter to the Committee summarising the results of their 2018/19 audit of the Council and Pension Fund.

RECOMMENDATIONS

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

REPORT DETAIL

Audit Committee, 28 January 2020

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:
3. Ernst & Young issued unqualified opinions on both the Council's main accounts including the group position and the Pension Fund Financial Statements. The Audit Results report was issued on 7th November 2019. Their certificate will be issued upon completion of the audit of the Whole of Government Accounts return - EY have stated will be completed in December 2019.
 - 3.1. EY did not identify any material weaknesses in controls or management overrides, any instances of inappropriate judgements being applied or any transactions outside the Council's normal business.
 - 3.2. In relation to the Authority's accounts, Ernst and Young identified misstatements due to error of additions to property, plant and equipment. They identified two instances where the costs associated with capital schemes had been incorrectly revalued to zero resulting in Assets under construction being understated by £15.5 million. (Page 9).
 - 3.3. In other key findings, their testing of the valuation of property, plant and equipment identified a number of instances where assets had been valued incorrectly. The errors mostly related to costs associated with redevelopment and regeneration and arose because the valuer had not been provided with full details of the circumstances relevant to the asset. (Page 11).
 - 3.4. As part of other matters on page 18, the auditors reported two control observations in our audit report for the authority. As mentioned above, they identified a number of audit differences in the testing of property, plant and equipment. The second observation identified a control issue related to the records maintained to support exit packages disclosures in the accounts and the number of errors presented in the draft accounts.
 - 3.5. The above changes did not change the Council's usable resources. As part of preparations for the 2019/20 closure, officers are reviewing the issues in 3.1 to 3.3 to ensure the misstatements are not repeated. Officers will ensure complete information is provided to the valuers.
 - 3.6. IFRS 16 Leases - page 22 of EY's report refers to the new leasing standard that will bring most leased assets onto the balance sheet from 1 April 2021. Officers are reviewing leasing records and will agree appropriate accounting policies and a deminimis level with the auditors. A review will also be conducted to see if the IASB conceptual framework will have an impact on the 2019/20 accounts.

IMPLICATIONS AND RISKS

Financial implications and risks: There are no financial implications or risks arising directly from this report. There are no changes to the Council's usable financial resources arising from the outcome of the audit of accounts.

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 some areas of legal and financial risk but the letter does not indicate any issues which are not already being addressed appropriately by management

Human Resources implications and risks: None arising directly

Equalities implications and risks: None arising directly